

**WOKING BOROUGH COUNCIL**

**ANNUAL FINANCIAL REPORT  
AND  
STATEMENT OF ACCOUNTS**

**FOR THE YEAR ENDED  
31 MARCH 2020**

## CONTENTS

Page No.

Explanatory Foreword

Revenue Outturn Statements

Statement of Responsibilities

Statement of Accounts:

    Movement in Reserves Statement

    Comprehensive Income and Expenditure Statement

    Balance Sheet

    Cash Flow Statement

    Summary of Significant Accounting Policies

    Notes to the Movement in Reserves Statement

    Notes to the Comprehensive Income and Expenditure Statement

    Notes to the Balance Sheet

    Notes to the Cash Flow Statement

    Housing Revenue Account (HRA) Income and Expenditure

    Statement of Movement in HRA Balance

    Notes to the Housing Revenue Account

    Collection Fund

    Notes to the Collection Fund

    Pensions explanatory notes

    Group Accounts [To Be Inserted]

- Accounting Policies
- Company and Joint Venture Information
- Movement in Reserves Statement
- Comprehensive Income and Expenditure Account
- Balance Sheet
- Cash Flow Statement
- Notes

Glossary

Annual Governance Statement

Auditor's Report [To Be Inserted]

**EXPLANATORY FOREWORD  
BY FINANCE DIRECTOR  
LEIGH CLARKE ACA**

**1.0 Introduction**

- 1.1 These accounts set out the Council's income, expenditure and cash flows for the year ended 31 March 2020 together with the assets and liabilities at that date.
- 1.2 The country went into lockdown on 23<sup>rd</sup> March, due to the Covid-19 pandemic, just a week before the end of the year. The majority of the activity during the year was therefore not affected by the pandemic, although the balance sheet at 31 March does reflect the position at the beginning of the national response.
- 1.3 Looking forward the medium term financial position of the Council is uncertain. During 2020/21 the government have provided funding to enable local government to support their local communities in responding to the pandemic. Support has also been announced which will compensate for some lost income during this time. However, the Council generates substantial income from commercial rents and it is expected that a proportion of these will be difficult to collect during 2020/21. The future beyond 2020/21 also has considerable uncertainties. It is difficult to know if or when the town centre will return to previous levels of activity and how much the choices of individuals will have changed forever.
- 1.4 The Council continues to progress the ambitious town centre regeneration at Victoria Square, and infrastructure works, the regeneration scheme at Sheerwater, and other capital projects. Further details are in the section below.
- 1.5 Service income and expenditure variations to budget were reported during the year in the monthly 'Green Book' which is available to the public on the Council's website. At the end of the year the net cost of services were forecast to be £1.2m over budget.
- 1.6 Revenue Reserves were £32m at 31 March 2020. Most of these reserves are held for specific purposes including covering potential budget shortfalls during the period while Town Centre developments become fully occupied and changes to government funding are introduced. It is possible that these funds may have to be used to manage through the economic consequences of the Covid-19 pandemic.
- 1.7 The narrative below provides further detail and explanations of the in-year expenditure, funding, investments, reserves and the future pressures facing the Council.

**2.0 Investment Programme and Projects**

- 2.1 During the year £161m was advanced to Victoria Square Woking Ltd to continue the construction of the town centre development. The works are progressing well with the new car park now being built and the interior works to the residential, retail and hotel underway.
- 2.2 During the year the Council continued to acquire private properties within the Sheerwater Regeneration area. At 31 March, 101 of the 120 required had been purchased and a further 10 had terms of acquisition agreed. The construction of the leisure centre, pool and sports pitches has started and funding is being received from Homes England towards these facilities. The purple phase, a medium rise development incorporating Murray Green and including 10 three-storey houses and 82 one to three bed apartments is also in construction. The Council approved the overall funding for the scheme in April 2020 and authorised the use of Compulsory Planning powers for the scheme in July 2020.

- 2.3 The Council acquired a number of strategic properties in the Borough. These included property in Commercial Way and Christchurch Way, and land at Egley Road. A further £21m of property was acquired which related to the infrastructure scheme to improve Victoria Arch for which the Council has been awarded a £95m government grant.
- 2.4 The Council continued investment in housing in the Borough through improvement of its own housing stock, development of new Council housing and through investment through the Council's wholly owned housing company, Thamesway Housing Ltd.
- 2.5 Work also continued on other Investment Programme projects including the development of industrial units at Kestrel Way, contributing towards the upgrade of Woking Cinema, improvements at Brookwood Cemetery, and the acquisition of property for temporary accommodation. £5m was invested through Thamesway Energy Ltd in a new energy centre in Poole Road.
- 2.6 Celebrate Woking again delivered a successful programme of events, including the Party in the Park and Woking Food and Drink Festival.
- 2.7 In total the Council spent £357 million on investment programme capital and revenue projects:

	£m
Victoria Square Regeneration	161
Investment in Thamesway for housing provision	71
Strategic Property Acquisition	50
Sheerwater Regeneration	29
New Council Housing	7
Improvement in Council housing Stock	5
Loan to Greenfield School	6
Integrated Transport works	4
Other Capital and Revenue projects	24
	<u>357</u>

- 2.8 The Council used borrowing to fund £313m of the investment in group companies and other Investment Programme projects. Capital grants and other contributions funded £34m and reserves £8m. Receipts from the sale of assets contributed £2m. Approximately £4m of these Investment Programme projects were revenue in nature (did not create an asset) and are therefore shown in the Council's income and expenditure account in the year. This includes feasibility studies as well as the Celebrate Woking programme of events and projects funded by the Community fund and other reserves.
- 2.9 The Council retains a proportion of capital receipts from sale of Council houses under Right to Buy. The Council can opt to retain part of the receipts to use towards replacement housing. In 2019/20 the Council sold 15 properties, generating gross receipts of £2.4 million, and chose to retain the £1.2m replacement housing element of the sales receipt to part fund HRA housing projects.

### **3.0 Revenue budget and outturn 2019/20**

- 3.1 The 2019/20 budget was approved by the Council in February 2019. Budgeted net operating expenditure for 2019/20, before transfers to and from reserves, Council

Tax and government financing, was £14.3 million. Woking received Government support of £2.1 million, the Council no longer receives any Revenue Support Grant.

- 3.2 £1.3 million was received in New Homes Bonus (NHB) grant which is awarded for increases in the provision of new residential properties. In line with the Council objective to reduce reliance on NHB to support the service budget, £600k was used in-year (£1m in 2018/19) with the rest allocated to the New Homes Bonus reserve. The reserve is used to fund infrastructure relating to developments, including community assets, and investment in Brookwood Cemetery. There is £154,000 in the reserve at the 31 March 2020.
- 3.3 The Council supported local community and voluntary organisations with £1.1m of funding through direct grant aid and accredited use of HG Wells.
- 3.4 The service outturn statements for 2019/20 (page ) show net service income and expenditure and provide explanations for significant variances from budget. These variances are reported during the year in the Council's monthly 'Green Book' publication. The year end Green Book reported an overspend of £1.2m compared to budget. There are offsetting variations due to strategic property acquisitions not progressing as forecast. This results in a reduction in rental income offset by reductions in financing costs.
- 3.5 The greatest pressure on budgets was due to the reduction in parking income activity following the closure of the Red car park in early 2019. This resulted in an overspend of £712,000. There were also significant costs relating to the leisure management contract and an overspend on staffing costs. Other overspends relate to legal, training, land charges, the selective licensing scheme, and commercial properties. These are offset by the contingency and underspends including those relating to the pension fund and the Environmental Maintenance Contract. Further detail can be found in the March 2020 financial and performance monitoring (Green Book).
- 3.6 The Expenditure and Funding Analysis, which can be found on pages and , reconciles the outturn statements to the statutory Comprehensive Income and Expenditure statement on page .
- 3.7 The Comprehensive Income and Expenditure Statement (CIES), prepared in accordance with IFRS, shows a deficit for the year of £13.5 million mostly due to reductions in value of Council property assets which must be charged to the CIES in accordance with accounting standards. There are a number of entries in the CIES which are included to conform with International Financial Reporting Standards (IFRS) but statute requires should not be charged to the General Fund balance. These amounts are reversed out within the reserves and are shown in the notes to the Movement in Reserves Statement (page ). A charge is made to the General Fund balance to provide for the repayment of debt which is a requirement of the Code of Practice on Local Authority Accounting, but not of IFRS. This is called the Minimum Revenue Provision (MRP).

	£ million
Deficit on CIES	-13.5
<u>Reverse:</u>	
Depreciation, revaluation and Impairment Charges	34.7
Capital expenditure creating an asset not owned by the Council	14.1
Grants and contributions amortised	-33.5
Adjustment for Business Rates and Council Tax timing	1.7
Pension, Collection fund and other adjustments	3.7
	<u>20.7</u>
Minimum Revenue Provision for debt repayment	-6.1
Adjusted surplus on CIES	<u>1.1</u>

- 3.8 The overall effect is a net contribution to reserves of £1.1 million to support revenue activity. Earmarked revenue reserves set up for specific purposes are shown on page .

#### **4.0 Assets and Liabilities**

- 4.1 At 31 March 2020 the Council's balance sheet shows net assets worth £191 million.

##### Fixed Assets

- 4.2 Property assets have been revalued where material. Some lower value assets are revalued on a rolling basis. There was a £12m reduction in the valuation of Council Housing, and a £20m reduction in Investment Property of which £6m related to Wolsey Place and £5m related to Dukes Court.

##### Cash

- 4.3 At 31 March 2020, cash and temporary deposits of £19 million were held. This is considerably less than the cash balances held at March 2019 when long term borrowing had been taken taking advantage of low interest rates ahead of the initial Brexit deadline. These funds were used during 2019/20 on ongoing projects, including Victoria Square, and planned acquisitions.

##### Long Term Debtors

- 4.4 The Council has made £374m of loans to its Thameswey group companies, including £57m for Sheerwater. These loans are shown as long term debtors on the balance sheet, except where the loans are for less than a year.
- 4.5 £356 million has been advanced to Victoria Square Woking Ltd to finance the town centre regeneration.
- 4.6 A further £25m of loans have been advanced to other external organisations including £6m to the Peacocks, £8.6 million to Woking Hospice and £6.4m to Greenfield School. £1.7m of mortgages are held, mostly associated with the Sheerwater regeneration area. Amounts due within one year are shown as short term debtors.

##### Shares

- 4.7 The Council owns £31 million in shares held in its wholly owned Thameswey group of companies which are shown as an investment.
- 4.8 The Council also holds £6m (100%) shareholding in Woking Necropolis and Mausoleum Ltd (WNML), which owns and runs Brookwood Cemetery, and during the

year acquired 100% of the shares of Kingfield Community Sports Centre Ltd (KCSC) which owns the Woking Football Club site.

- 4.9 In addition, the Council has shares in Victoria Square Woking Ltd (VSWL), the development company for the Victoria Square regeneration, the Boom! West Sussex and Surrey Credit Union, and the UK Municipal Bonds Agency.
- 4.10 During the year the wholly owned subsidiary Dukes Court Owner T-SARL, which had been the holding company for the Dukes Court property, was dissolved. The share capital held, £12m, offset a balance owed to the company by the Council on acquisition of the asset. Both balances no longer form part of the Council balance sheet. Surplus balances accumulated within the company during the Council's ownership have been transferred to the Council.

#### Borrowing

- 4.11 At 31 March 2020 there was long term borrowing of £1,300 million and short term borrowing of £87 million. The level of short term borrowing reflects the short term nature of some of the capital projects as well as borrowing short dated money, at low rates of interest, during periods of relative stability in money markets. Details of all Council borrowing is reported each month in the Council's 'Green Book'. For the statutory accounts the amount of long term borrowing due within a year is re-classified as short term.
- 4.12 The Prudential Code enables a Local Authority to borrow to such an extent as the Authority considers appropriate within a range of indicators that it sets. It is therefore possible to invest to the level that is affordable, prudent and sustainable taking into account the level of income including Council Tax and housing rents. The Council's treasury management activity was undertaken in accordance with its Treasury Management Policy and Practices and within the strategy and overall borrowing limits.
- 4.13 The Council approved Capital, Investment and Treasury Management Strategies in February 2019 alongside the budgets for the year. Updated versions were approved in February 2020 for 2020/21. This suite of documents explains the Council's approach to capital investment and acquisition of strategic property.

#### Pension fund liability

- 4.14 The Council's share of the Surrey Pension Fund deficit continued to reduce the Council's net asset position. Woking's Balance Sheet shows a Pensions liability of £68 million. This has decreased from £71 million at 31 March 2019. The current actuarial valuation, which is based on forecast yields rather than corporate bond yields, as required by the accounting standards, shows that the fund is very close to being fully funded at 31 March 2020. The deficit reduces the net worth of the Council by 36%. A full valuation of the Fund was completed at 31 March 2019 which sets the level of contributions from 2020/21.

### **5.0 Reserves**

- 5.1 The Council's balances and earmarked revenue reserves at 31 March 2020 were £34 million, an increase of £1 million compared to the balance at 31 March 2019.
- 5.2 The Investment Strategy Reserve balance at the 31 March 2020 is £2.2 million. This is less than the target level of £3 million and will need to be addressed in considering the reserve strategy during 2020/21.

- 5.3 The Wolsey Place reserve was set up following acquisition of the shopping centre, and was credited with the £10 million accepted for the surrender of a lease at Export House. Variations on the Wolsey Place income budgets were met from the reserve, together with costs associated with the asset. A transfer from the reserve of some £1 million is assumed towards the annual budget, and a contribution of £300k is made to the reserve towards costs. In 2019/20 the net use of reserve was £930k leaving a balance of £3.2 million at 31 March 2020.
- 5.4 The Dukes Court reserve has been credited with £2.9m in 2019/20, the majority of which represents surplus income generated by the asset but held in the company until it was dissolved during the year.

## **6.0 Group Companies and other Joint Ventures**

- 6.1 The Code of Practice on Local Authority Accounting requires local authorities to consider all their interests and prepare a full set of group financial statements where they have material interests in subsidiaries, associates or joint ventures.
- 6.2 The Council has a wholly owned subsidiary, Thameswey Limited which itself owns 100% of companies set up to further the Council's environmental, housing and redevelopment objectives. The Council has also entered into a number of other joint ventures with specific project or service objectives. Much of the capital investment during the year was through Group Companies and partnerships.
- 6.3 A full listing of all the Council's interests can be found on pages - of the accounts.
- 6.4 In total £100 million was advanced in loans to the Thameswey group during 2019/20, including £71m for Thameswey to invest in new residential properties, and £22m to progress the Sheerwater regeneration. The loans are shown as long term debtors in the Council's balance sheet and are listed in note 7, page . These balances are eliminated on consolidation in the Group accounts.
- 6.5 The Council owns 48% of Victoria Square Woking Ltd, the development company for the regeneration scheme. £161m of funding was advanced by the Council in the year. VSWL is not consolidated in the Group Accounts, but instead is included as an investment based on its net asset value.
- 6.6 In November 2017 the Council purchased the holding company of the Dukes Court office block in Woking. The acquisition was through £59m loan and £12m share capital. During 2018/19 the company sold the asset to the Council and it is now managed as a Council property. The loan was extinguished on the acquisition by the Council and the £12m balance owed to the company was removed on liquidation of the company during 2019/20.
- 6.7 £1.3m of capital and revenue grants were provided to the Brookwood Cemetery companies, by the Council, to continue restoration works. The Cemetery companies are consolidated in the Council's group accounts.
- 6.8 The accounts of the companies, consolidated into the Council's accounts, are presented as Group accounts on pages - .

## **7.0 Housing Revenue Account**

- 7.1 The March 2020 Green Book reported an overspend of £320,000 against Housing Revenue Account (HRA) budgets in the year. The HRA (page ) shows a transfer to the HIP reserve of £24k.



- 7.2 The Council's housing stock is managed by a joint venture partnership called New Vision Homes. The Council spent £5 million on renovating and improving its Council stock to help achieve and maintain the decent home standard. The Council and New Vision Homes work together to set the future maintenance and spending priorities over the short, medium and longer term. During the year £7 million was spent on acquiring and developing new properties using the Council's retained receipts from right to buy sales to fund 30% of the costs.
- 7.3 For 4 years the government has required a 1% reduction in rents. This has put increased financial pressure on the Housing Revenue Account. 2019/20 is the last year of rent reductions and from 2020/21 rents will increase using a formula approach as they had previously.
- 7.4 The regeneration of Sheerwater will impact the HRA with a reduction of 406 properties as the area is developed. The Council considered an HRA Medium Term Financial Strategy (MTFS) in October 2018 reflecting the need for close management as this development and the new build schemes progress.
- 7.5 The HRA working balance at 31 March 2020 is £500,000, this is £150 per property which is at the top of the £100 - £150 per property range considered adequate for the purposes of prudent financial management.

## **8.0 Collection Fund**

- 8.1 In 2019/20 the Council Tax set by Woking BC was £240.46 for a property in Band D, an increase of £7 on 2018/19. The Council collected £81.5 million in Council Tax. The Collection Fund shows that 75% is collected for Surrey County Council, 13% for Surrey Police and Crime Commissioner and 12% for Woking's own purposes. The total Band D Council Tax, including the amounts for Surrey County Council and Surrey Police Authority, was £1,954.53, an increase of £73.21 (3.9%), which included the Social Care precept levied by Surrey County Council.
- 8.2 Woking collected £47m in Business Rates, which in this pilot year was allocated 50% to the government, 40% to Woking Borough Council and 10% to Surrey County Council. Woking was required to pay a tariff of £16.2m which would leave the Council with the £2m allocated funding if income was at assumed 'baseline' levels. As income, after taking into account provisions for bad debt and appeals, was slightly greater than baseline in 2019/20 a small increase greater proportion was retained.
- 8.3 Since the government introduced the 'check, challenge, appeal' system for business rates in 2017/18 there have been very few valuation appeals. There continues to be very little information available about potential levels of appeals. In the current economic climate it was considered prudent to increase the level of the provision at 31 March 2020.

## **9.0 The Medium Term Financial Strategy to 2022/23**

- 9.1 The Council was due to consider an update to the Medium Term Financial Strategy (MTFS) in March 2020. However, the Covid-19 pandemic resulted in this being deferred. A full review of the MTFS has been postponed until the autumn of 2020 when it is hoped it will be possible to provide a more reliable update, taking into account government support, the impact on commercial rental income and the future outlook for local government.
- 9.2 The government is completing a Comprehensive Spending Review which is expected to report in the Autumn and will determine the overall funding for government departments for the next few years. The Treasury have consulted on changes to the Public Works Loans Board (PWLB) and there is also expected to be announcements

on the potential for local government reorganisation. It is hoped that following confirmation of the government position and direction, the resources available for the Council will be clear and it will be possible to use this information to plan for the future.

- 9.3 The Council sets prudent budgets which have in the past enabled significant efficiencies to be generated to ensure the continuation of service delivery. In recent years the Council has focused on an investment led approach with income from housing developments and strategic commercial properties contributing to service budgets. This has been successful and service levels have been maintained while government funding has reduced. The future post the Covid-19 is uncertain and the Council will need to agree an appropriate medium term strategy in considering budgets for 2021/22 and beyond.

## **10.0 Conclusion**

- 10.1 The Council's overall financial performance in 2019/20 was good, revenue reserves have been maintained which enables the Council to have some flexibility in dealing with the impact of the Covid-19 pandemic.
- 10.2 There has been substantial progress made on major regeneration projects, Victoria Square and Sheerwater, as well as improvements to the town centre, and housing provision.
- 10.3 There was already significant uncertainty due to potential changes in local government funding and Brexit. It remains too early to establish the impact of the pandemic and the medium term economic consequences, however the government have provided financial support for both the costs of the response and lost service income and the Council has substantial revenue reserves which provide resource to deal with immediate revenue consequences. Into the medium term further consideration will need to be given to local strategy for service and infrastructure provision.
- 10.4 The Council's accounts for the year 2019/20 present fairly the financial position of the Authority at 31 March 2020 and its income and expenditure for the year ended 31 March 2020.

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Leigh Clarke  
Finance Director

Date:

## **REVENUE OUTTURN STATEMENTS**

**2019/20**

The Council's vision "Towards Tomorrow Today" is supported by a statement of intent about shaping our future, comprising a number of value aims under the three key thematic areas of PEOPLE, PLACE and US (our organisation), as follows:

**PEOPLE - A healthy, inclusive and engaged community**

**PLACE - An enterprising, vibrant and sustainable place**

**US - An innovative, proactive and effective council**

The Council's Revenue Outturn Statements (and management accounts) are summarised by these three thematic areas.

## OUTTURN STATEMENT

2018/19 ACTUAL		----- 2019/20 -----		
£		ESTIMATE	ACTUAL	VARIATION
£		£	£	£
	<u>People</u>			
3,001,548	Community Support	3,225,362	3,081,678	-143,684 (1)
3,688,091	Health and Well Being and Cultural Development	3,178,663	3,722,387	543,724 (2)
2,622,421	Housing	2,792,986	2,718,355	-74,631 (3)
572,782	Independent Living	796,821	947,457	150,636 (4)
9,884,842		9,993,832	10,469,878	476,046
	<u>Place</u>			
-3,225,727	Sustaining the Local Economy	-3,976,291	-3,017,019	959,272 (5)
6,686,192	Environmental Quality	7,238,245	6,864,805	-373,440 (6)
-9,132,267	Place Making	-21,516,724	-15,408,754	6,107,970 (7)
-5,671,802		-18,254,770	-11,560,968	6,693,802
	<u>Us</u>			
3,116,760	Democratic Services	4,367,690	2,488,937	-1,878,753 (8)
286,230	Corporate Services	328,580	308,301	-20,279 (9)
1,527,770	Customer Support Services	1,134,208	1,794,990	660,782 (10)
4,930,760		5,830,478	4,592,228	-1,238,250
-6,382,822	Council Housing (Housing Revenue Account)	6,053,041	5,549,536	-503,505 (11)
2,433,114	Investment Programme Revenue Projects	1,475,040	2,774,801	1,299,761
<b>5,194,092</b>	<b>NET COST OF SERVICES</b>	<b>5,097,621</b>	<b>11,825,475</b>	<b>6,727,854</b>

## OUTTURN STATEMENT - NOTES

### People

#### (1) Community Support

The overall underspend on Community Support included a £91,691 saving on running costs at the Centres and the Family Support Programme. This was partially offset by a historic write off of £60,000 for unpaid rent at Parkview.

There was an underspend of £94,000 on Support For Accredited Groups due to reduced usage of the HG Wells, and an underspend of £18,000 on Grants.

#### (2) Health and Well Being and Cultural Development

There were savings on Energy costs (£136,000) and Maintenance (£28,000) at the Leisure Centre, Pool In The Park and Sportsbox. Compensation payments of £328,000 were made to the operator for loss of profit while some of the facilities were out of action. Part of this related to the COVID 19 pandemic. Depreciation was over budget (£264,000), and there were adjustments to the Management Fee of £91,000.

#### (3) Housing

Expenditure on employees was £121,000 less than budgeted.

The number of households being placed in emergency accommodation continues to be very high, due to an increase in the number of households approaching the Council for housing support and the lack of available permanent homes. Bed and Breakfast expenditure has therefore over spent by £227,000. This is offset by additional Homelessness Support grant and other funding of £111,000. £98,000 was also built into the 2019/20 budget to provide an additional flexible resource to help tackle homelessness. This has now been used to help offset the overspend.

The introduction of the Selective Licensing Scheme has improved the overall standard of property conditions for privately rented accommodation and has had a positive impact on the designated area. However ongoing problems with the implementation of the scheme has meant the forecast level of income has not been achieved. This is £112,000, and is offset by savings on staff costs.

Fewer tenancies than budgeted were provided through the Let's Rent Scheme in 2019/20 producing an under spend of £59,000. This is partly offset by a £42,000 over spend on the Private Sector Leasing Scheme.

Housing benefit costs, net of government subsidy, were £36,000 less than budgeted, and a £34,000 saving was achieved on Housing Contributions to other organisations and a budget earmarked to help deal with Welfare Reform. Temporary Accommodation has overspent by £13,000. There was a total £21,000 under spend against capital charges and other variations.

#### (4) Independent Living

An increase in the volume of safety work that our Home Improvement Agency and Handyperson Services carry out has resulted in additional material costs that we do not charge for. Time spent doing this work leaves less time to carry out the DIY income generating work.

Across the Community Meals Service there were overspend of £12,000 on energy costs, £11,000 on supplies, £16,000 on vehicles due to an increase in the leasing cost and £22,000 on employees. A loss in rental income, £10,000 and a reduction of £15,000 in fees and charges received.

### Place

#### (5) Sustaining the Local Economy

The overspend against budget of £959,000 is mostly due to Parking (£868,000), employees (£323,000), Business Liaison and H G Wells (£31,000), which is partly offset by an underspend on capital charges of £355,000.

The Parking overspend against budget of £868,000 is mostly due to temporary reduced capacity in the town centre car parks during 2019-20, including the closure of the Red car park in early January 2019, which has resulted in a shortfall in income against budget of £782,000 (of which £70,000 will be funded by the Victoria Square Development Reserve outside these outturn statements). Additional costs of £86,000 have been incurred due to rent of temporary additional car park space (£82,000) and loss of rent from mobile phone masts (£67,000). These costs has been partly offset by savings on card handling fees (£27,000), TEL energy (£35,000) and other miscellaneous costs (£1,000).

The remaining overspend is a minor variation of £2,000 on Business Liaison and £29,000 on HG Wells which is due to supplier cancellation costs and the sales budget not being met as the centre was closed due to the Covid-19 pandemic.

(6) Environmental Quality

The underspend against budget of £373,000 is due to employees (£9,000), Building Control (£81,000) and Environmental Maintenance (£324,000), partly offset by minor overspends on CCTV and Public Conveniences (£16,000), capital charges (£17,000) and Outdoor Sports (£8,000).

The underspend of £324,000 on the Environmental Contract is mostly due to Surrey County Council's contribution towards environmental maintenance being extended for a further 4 years of which £153,000 relates to 2019/20, and contract savings of £83,000 mostly due to lower than normal contractor performance, and lower inflation than budgeted. Other savings made within the Environmental Maintenance Contract are made up of small variations across services such as War Memorials (£12,000). Savings of £64,000 due to the Town Centre Maintenance works will transfer to the Town Centre Maintenance Agreement Reserve, and savings of £12,000 on Westfield Common will transfer to the Westfield Common Reserve. Building Control income exceeded budget by some £90,000.

(7) Place Making

The overspend against budget of £6,108,000 is mainly due to overspends on Estates Management (£5,955,000) and employee costs (£363,000). These were partly offset by underspends on capital charges (£45,000), additional Development Management income (£95,000), and changes to the Carbon Reduction Scheme resulting in most of the budget being unused.

Spend on Development Management temporary staffing was covered by additional fees and charges, mainly from large schemes.

The Wolsey Place, Dukes Court and other Strategic Property variation of £5,742,000 which is made up from a shortfall in income and associated void costs will be funded elsewhere in the accounts by the Wolsey Place, Dukes Court and Strategic Property reserves which were created to fund dilapidations, refurbishments for new tenants and void costs. In addition there was a delay in planned acquisitions where there will be an associated saving in financing costs.

The remaining overspend in Estates Management is due to void costs and other incentive payments £342,000 which was partly offset by rents from Industrial and other sites of £266,000,

Us

(8) Democratic Services

The underspend against budget of £1,876,000 is mainly due to additional income from loan arrangement fees of £1,720,000, and underspends on employee costs (£327,000), Civic Events (£8,000) and Members Costs (£4,000). There were offsetting overspends on Borrowing costs (£88,000) and Corporate Room Hire (£13,000).

The overspend on internet transaction charges of £17,000 was partly offset by savings on Lloyds bank charges (£6,000).

An allowance has been made for audit overrun costs resulting in an overspend of £44,000.

Elections were overspent by £27,000.

(9) Corporate Services

The underspend against budget of £20,000 results from several minor variations in the Public Relations budget, and the provision for Fun Attack not being used.

(10) Customer Support Services

The overspend against budget of £660,782 is mainly due to an overspend on the net cost of Housing Benefits (£246,000), and an overspend on employee costs of £250,000.

There was also an overspend of £61,000 on Supplies and Services, mainly taxi licensing Criminal Record Checks and payments to Surrey County Council for land charges.

Additionally there was a shortfall of £103,000 on Land Charges fees, which will be offset by any excess made on the service in prior years.

(11) Housing Revenue Account (HRA)

Properties within the Red Line of the Sheerwater Regeneration are being held as vacant to facilitate the commencement of the Sheerwater Project. The estimated full year effect of this is £299,300.

Capital investment in the stock over recent years has allowed repairs/enhancements to be carried out on a planned rather than reactive basis. A review of the schedule of rates applied under the contract has also contributed to this under spend. These savings provided an under spend of £337,400 and offset expenditure on additional works carried out under the NVH Asset Management Plan in 2018/19.

Depreciation replaces the Major Repairs Contribution and is transferred to the Major Repairs Reserve to be used on capital works to the stock or repaying debt. Depreciation was £170,000 lower than budgeted in 2018/19. The transfer to the Housing Investment Programme Reserve will increase by £170,000 to offset this.

The gross rent debit raised was £41,000 less than budgeted in 2018/19. The budget is set based on the stock number at a point in time and an estimate is made for properties being sold through the Right to Buy, new build properties coming on line, and write offs during the year. This variance is combined with a £17,800 increase on the bad debt provision.

A review of the service charge was carried out by NVH and the new charge was introduced with effect from August 2018. In order to ensure affordability to tenants significant increases were implemented incrementally over a number of years and the HRA did not receive the full benefit of this review in 2018/19. This shortfall in income was offset by additional recharge income from Leaseholders for capital works to their properties. The AMP capital works budget assumes the works will be 100% funded by WBC and therefore this additional income provided an under spend.

Employees and overheads were £170,000 less than budgeted in 2018/19.

(12) Investment Programme Revenue Projects

Transfers are made from revenue reserves to cover the costs of these projects. Variations arise as a result of the need to carry out additional projects in year, the cost of which is partly mitigated by slippage of other projects.

## **STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS**

### **Woking Borough Council's Responsibilities**

The authority is required to:

- Make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In Woking, that officer is the Chief Finance Officer;
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets;
- Approve the statement of accounts.

### **The Chief Finance Officer's Responsibilities**

The Chief Finance Officer is responsible for the preparation of Woking's statement of accounts in accordance with proper practices as set out in the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice on Local Authority Accounting in the United Kingdom ('the Code of Practice').

In preparing the statement of accounts, the Chief Finance Officer has:

- Selected suitable accounting policies and then applied them consistently;
- Made judgements and estimates that were reasonable and prudent;
- Complied with the Code of Practice.

The Chief Finance Officer has also:

- Kept proper accounting records which were up to date;
- Taken reasonable steps for the prevention and detection of fraud and other irregularities;
- Assessed the Authority's and the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern;
- Used the going concern basis of accounting on the assumption that the functions of the Authority and the Group will continue in operational existence for the foreseeable future; and
- Maintained such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.



## SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### 1. GENERAL

The accounts have been prepared in accordance with the 2019/20 Code of Practice on Local Authority Accounting in the United Kingdom, issued by the Chartered Institute of Public Finance and Accountancy (CIPFA). The Code is based on International Financial Reporting Standards (IFRS).

The financial information within the statements follows the accounting principles of accruals, going concern and primacy of legislative requirements. Information is included with regard to the concepts of relevance, reliability, comparability and understandability together with a consideration of materiality.

Where it has been necessary to use estimates in order to most closely reflect the economic transactions a prudent basis has been adopted.

The Covid-19 pandemic has resulted in increased costs to the Council from March 2020 in responding to the crisis. There has also been reductions in income collected from fees and charges and expected reductions in commercial rent as the country was required to lockdown and businesses were closed. The impact in 2020/21 has been modelled, taking a prudent estimate of the loss of income and costs. As at 31 March 2020 the Council had £19m in cash and liquid investment balances. In addition it would be possible to raise further funding to the value of £15m to restore revenue reserves where the cash balances have been used to fund capital expenditure. This will provide sufficient headroom to enable the Council to fund its operations over the next year based on the modelling of the financial impact of Covid-19 on the Council's reduced income and additional spending and therefore the use of the going concern principle is considered applicable.

### 2. PROPERTY, PLANT AND EQUIPMENT

Expenditure on the acquisition, creation or enhancement of property, plant and equipment has been capitalised on an accruals basis in the accounts.

Tangible fixed assets are valued, as far as practicable, on the basis recommended by CIPFA and in accordance with the Statement of Asset Valuation Principles and Guidance Notes issued by The Royal Institution of Chartered Surveyors (RICS). Fixed assets are classified into the groupings required by the Code. The following bases have been used:

- Land, operational properties and other operational assets are included in the balance sheet at existing use value where there is an active market for the asset. Where there is no active market, or the valuation is for a specialised asset, Depreciated Replacement Cost is used.
- Non-operational assets, including investment properties and assets that are surplus to requirements, are included in the balance sheet at Fair Value. In arriving at the fair value of the asset, the highest and best use of the property is deemed to be its current use. Investment property is property held solely to earn rentals or for capital appreciation, or both.
- Infrastructure assets and community assets are included in the balance sheet at historical cost.
- Surplus assets are included at Fair Value.

- Heritage assets are assets with historical, artistic, scientific, technological, geophysical or environmental qualities held and maintained principally for their contribution to knowledge or culture. Heritage assets are included in the balance sheet at their insurance valuation where available. Where no such valuation is available, then historic cost is used in the first instance, otherwise an estimate of the asset's value is made.
- Intangible fixed assets are initially included in the accounts at cost.

Revaluations of fixed assets are carried out on a rolling programme, although assets are valued more regularly where the rolling programme would be insufficient to ensure the material changes in valuation are recognised. Valuations are carried out by internal and external RICS qualified valuers in accordance with the Red Book. Assets valued over £1m are included by component when the useful economic life is materially different to that of the overall asset. Subsequent material expenditure is also listed by component.

The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation. Gains arising before that date are consolidated into the Capital Adjustment Account.

Where valuations of fixed assets have fallen at the balance sheet date the value of the impairment is first taken from the Revaluation Reserve, where a balance for that individual asset exists, with any remaining impairment being charged to the income and expenditure account.

### **3. DEPRECIATION AND AMORTISATION**

Depreciation is provided on all tangible fixed assets where a finite useful life has been determined.

Depreciation is charged on operational buildings. There is no requirement to depreciate the land element of operational property, community assets or investment properties.

For newly acquired assets, depreciation is first provided for in the year after acquisition, whilst assets in the course of construction are not depreciated until they are brought into use. Where identified separately in accordance with the fixed asset accounting policy, individual components are depreciated over the component's estimated useful life.

Intangible assets are amortised over the useful economic life of the asset.

Depreciation and amortisation charges are calculated using the straight-line method. For the purposes of the calculation, the useful lives of assets are determined for each individual asset. Where it is not possible to do this, the lives of Mid-Range IT Hardware and Software are estimated at 7 years, and other IT assets, Equipment and Vehicles at 5 years. The intangible assets held at 31<sup>st</sup> March have a finite life and are amortised over a maximum of 7 years.

Prior to 2017/18 the notional Major Repairs Allowance was used as a proxy for depreciation on Council Dwellings. With effect from 1st April 2017 depreciation on Council Dwelling assets will be charged to the Housing Revenue Account in accordance with proper practices. Dwellings are depreciated on a straight line basis over their useful economic asset life.

Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

#### **4. CHARGES TO REVENUE FOR THE USE OF FIXED ASSETS**

In addition to depreciation, amounts set aside from revenue for the repayment of external loans, to finance capital expenditure or for transfers to earmarked reserves are disclosed separately in the Statement of movement in reserves. Impairments on Fixed Assets and revaluations below cost are also charged to revenue. Depreciation, impairment, and revaluation losses are reversed out in the accounts as a statutory adjustment to prevent them being charged to Council tax.

#### **5. REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE**

Expenditure incurred during the year that may be capitalised under statutory provisions but that does not result in the creation of a non-current asset has been charged as expenditure to the Comprehensive Income and Expenditure Statement in the year. Where it was determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the Movement in Reserves Statement from the General Balance to the Capital Adjustment Account then reverses out the amounts charged so that there is no impact on the level of the Council Tax.

#### **6. CAPITAL RECEIPTS**

Prior to the sale of an asset it is revalued, if appropriate, to establish the market value. The income from the disposal of fixed assets is credited to the Income and Expenditure Account on an accruals basis and offset by the write off of the fixed asset value which is also charged to the Income and Expenditure Account. Any difference between the capital receipt received and the market value of the fixed asset will be shown as profit or loss on the sale of fixed assets.

The Statement of Movement in the General Fund Balance reverses any profit or loss on the sale of fixed assets so that it is not charged to Council Tax. The reversal moves the income to the Usable Capital Receipts Reserve, or Deferred Capital Receipts if the income has not yet been received, and writes out the value of the asset from the Revaluation Reserve and Capital Adjustment Account.

#### **7. DEBTORS AND CREDITORS AND REVENUE RECOGNITION**

The Revenue Accounts of the Council are maintained on an accruals basis in accordance with the Code of Practice. This means that sums due to or from the Council during the year are included in the accounts where they are significant, whether or not the cash has actually been received or paid in the year.

Income is recognised in the accounts to match the timing of the related transfer of goods and services. Revenue from contracts with service recipients is recognised once the Authority satisfies the performance obligation under the contract.

#### **8. OVERHEADS AND SUPPORT SERVICES**

All management and administration costs have been charged to services based on estimated allocations or apportionments, with any residual balances being included in "Us" in the Comprehensive Income and Expenditure Statement Net Cost of Services.

## 9. PROVISIONS AND RESERVES

Capital accounting provisions require the maintenance of two reserve accounts in the Consolidated Balance Sheet:

- The Revaluation Reserve, which represents the balance of the surpluses or deficits arising on the revaluation of fixed assets since 1 April 2007.
- The Capital Adjustment Account, which represents amounts set aside from revenue resources or capital receipts to finance expenditure on fixed assets or for the repayment of external loans and other capital financing transactions.

The Council sets aside reserves to meet general, rather than specific, future capital or revenue expenditure. Any use or contribution to reserves is shown in the Statement of Movements in Reserves.

The Council also sets aside provisions for specific future expenses which are likely or certain to be incurred but, by their inherent nature, the amount or timing of which cannot yet be determined.

From 2018/19 impairment losses are recognised for financial assets in accordance with the expected credit loss model. This recognises credit risk from the initial recognition of the asset, including current debts within term.

Details of the Council's reserves and provisions are provided in the notes to the Balance Sheet and Statement of Movements in Reserves.

## 10. LEASES

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases.

Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification.

Arrangements that do not have the legal status of a lease but convey a right to use of an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of the specific assets.

### The Authority as Lessee

#### Finance Leases

Property, plant and equipment held under finance leases is recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the leases's inception (or the present value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor. Initial direct costs of the authority are added to the carrying amount of the asset. Premiums paid on entry to a lease are applied to writing down the lease liability. Contingent rents are charged as expenses in the periods in which they are incurred.

Lease payments are apportioned between:

A charge for the acquisition of the interest in the property, plant or equipment – applied to write down the lease liability, and

A finance charge (debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

Property, plant or equipment recognised under finance leases is accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life (where ownership of the asset does not transfer to the authority at the end of the lease period).

The authority is not required to raise Council Tax to cover depreciation or revaluation impairment losses arising on leased assets. Instead, a prudent contribution is made from revenue funds towards the deemed capital investment in accordance with statutory requirements. Depreciation and revaluation and impairment losses are therefore substituted by a revenue contribution in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

#### Operating leases

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the service benefitting from the use of the leased property, plant and equipment. Charges are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a rent-free period at the commencement of the lease).

#### The Authority as Lessor

##### Finance leases

The Authority does not have any finance leases.

##### Operating Leases

Where the authority grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

## **11. EMPLOYEE BENEFITS**

#### Benefits payable during employment

Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits (e.g. cars) for current employees and are recognised as an expense for services in the year in which employees render service to the Council.

Where employees have holiday entitlement which has not been used at the Balance Sheet date, the value of the outstanding days are accrued in the Comprehensive Income and Expenditure Statement. A provision is made for the value of the holiday due and is included within current liabilities on the Balance Sheet. The movement in the employee benefit accrual is transferred between the Employee Benefit reserve and the General Fund balance.

#### Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy in exchange for those benefits and are charged on an accruals basis to the "Us" line (formerly Non Distributed Costs) in the Comprehensive Income and Expenditure Statement at the earlier of when the authority can no longer withdraw the offer of those benefits or when the Council recognises costs for a restructuring. Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the pension fund or pensioner

in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end.

#### Post-Employment Benefits

Employees of the Council are members of the Local Government Pension Scheme, administered by Surrey County Council. The scheme provides defined benefits to members (retirement lump sums and pensions), earned as employees worked for the Council.

The Local Government Pension Scheme is accounted for as a defined benefits scheme. The liabilities of the Surrey Pension Fund attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc., and projections of projected earnings for current employees.

Liabilities are discounted to their value at current prices, using a Corporate Bond yield curve is constructed based upon a corporate bond yield curve (based on the constituents of the iBoxx AA corporate bond index). This is then adjusted to reflect the 'term' of the benefit.

The assets of the Surrey Pension Fund attributable to the Council are included in the Balance Sheet at their fair value:

- quoted securities – current bid price
- unquoted securities – professional estimate
- unitised securities – current bid price
- property – market value.

The change in the net pension's liability is analysed into the following components:

#### Service cost comprising:

- current service cost – the increase in liabilities as a result of years of service earned this year, allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked;
- past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years, debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of "Us";
- net interest on the net defined benefit liability, i.e. net interest expense for the authority – the change during the period in the net defined benefit liability that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement – this is calculated by applying the discount rate used measure the defined benefit obligation at the beginning of the period to the net defined benefit liability at the beginning of the period – taking into account any changes in the net defined benefit liability during the period as a result of contribution and benefit payments;

#### Re-measurements comprising:

- the return on plan assets – excluding amounts included in net interest on the net defined benefit liability – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure;
- actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – debited to the Pensions Reserve as Other Comprehensive Income and Expenditure; and
- Contributions paid to the Surrey Pension Fund – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

In relation to retirement benefits, statutory provisions require the General Fund Balance to be charged with the amount payable by the Council to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end.

The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

#### Discretionary Benefits

The Council also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

For further details see the notes on pensions on pages 83 to 89.

Further information can be found in the Surrey County Council Pension Fund Annual Report which is available on request from Surrey County Council, PO Box 5, County Hall, Kingston-upon-Thames KT1 2EA.

## **12. GRANTS**

Grants for revenue expenditure are accounted for in the same period as the expenditure to which they relate.

Where a grant or contribution is received to purchase a fixed asset and any conditions have not been met the grant is credited to the capital grants received in advance.

When the conditions have been met or if there are no conditions the grant is recognised in the Comprehensive Income and Expenditure Statement. The grant is held in the capital grants unapplied reserve until the expenditure is incurred when it is transferred into the capital adjustment account.

## **13. CAPITALISATION OF INTEREST**

Finance costs incurred during the construction of fixed assets are capitalised in accordance with the requirements of IAS 23. Acquisitions, planned maintenance, improvements to existing assets and capital repairs are excluded from this policy. Capitalisation will cease on practical completion of the project which will then be categorised and included in the balance sheet in accordance with proper practices and Council policy.

## **14. FINANCIAL INSTRUMENTS**

### **Financial Liabilities**

Financial liabilities are recognised on the Balance Sheet when the authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and are carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement (CIES) for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

For most of the borrowings that the authority has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable plus accrued interest, and the interest charged to the CIES is the amount payable for the year according to the loan agreement.

Where premiums and discounts have been charged to the CIES, regulations allow the impact on the General Fund Balance to be spread over future years. The authority has a policy of spreading the gain or loss over the term that was remaining on the loan against which the premium was payable or discount receivable when it was repaid. The reconciliation of amounts charged to the CIES to the net charge required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

### **Financial Assets**

Financial assets are classified based on a classification and measurement approach that reflects the business model for holding the financial assets and their cashflow characteristics. There are three main classes of financial assets measured at:

- Amortised cost
- Fair value through profit or loss (FVPL), and
- Fair value through other comprehensive income (FVOCI)

The authority's business model is to hold investments to collect contractual cash flows. Financial assets are therefore classified at amortised cost, except for those whose contractual payments are not solely payment of principal and interest (i.e. where the cash flows do not take the form of a basic debt instrument).

## **15. PFI SCHEME**

PFI contracts are agreements to receive services, where the responsibility for making available the property, plant or equipment needed to provide the service passes to the PFI contractor. As an authority is deemed to control the services that are provided under its PFI schemes, and as ownership of the property, plant or equipment will pass to the authority at the end of the contracts for no additional charge, the authority carries the assets used under the contracts on its Balance Sheet as part of property, plant or equipment.



Expenditure on planning the Council's PFI housing scheme has been accounted for in the Comprehensive Income and Expenditure Statement except where the value of the Council's asset has been enhanced, where the costs are capitalised on the balance sheet. The final assets were completed in 2016/17. Expenditure by the PFI contractor is not shown in the Council's accounts. The liability relating to the associated ongoing contractual payments is shown within long term liabilities. The interest element of the Unitary Charge is included in the Comprehensive Income and Expenditure Statement, with the balance of the payment writing down the long term liability. There is also a Minimum Revenue Provision (MRP) shown within the Statement of Movement in the General Fund Balance and equivalent entry in the Capital Adjustment Account. Further details can be found in note 26 to the Balance Sheet.

#### **16. CASH AND CASH EQUIVALENTS**

Cash and cash equivalents comprise balances in the Council's bank account, money market account and money market funds. These are highly liquid investments repayable without penalty on notice of not more than 24 hours.

#### **17. VALUE ADDED TAX**

VAT payable is included as an expense only to the extent that it is not recoverable from Her Majesty's Revenue and Customs. VAT receivable is excluded from income.

#### **18. SIGNIFICANT JUDGEMENTS**

There were no significant judgements required in 2019/20.

#### **19. IMPACT OF ACCOUNTING STANDARDS ISSUED BUT NOT YET ADOPTED**

Under the Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 (the Code), the Council is required to disclose information setting out the impact of an accounting change required by a new accounting standard that has been issued but not yet adopted by the Code:-

IFRS 16 Leases will require local authorities that are lessees to recognise most leases on their balance sheets as right-of-use assets with corresponding lease liabilities (there is recognition for low-value and short-term leases). CIPFA/LASAAC have deferred implementation of IFRS16 for local government to 1 April 2021.

IAS 19 Employee Benefits will require the re-measurement of net pension asset/liability following plan amendments, curtailments or settlements to be used to determine current service cost and net interest for the remainder of the year after the change to the plan. The updating of these assumptions only applies to changes from 1st April 2020 and, since this could result in positive, negative or no movement in the net pension liability, no prediction can be made of the possible accounting impact.

## MOVEMENT IN RESERVES STATEMENT

	General Fund (GF)	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
	Notes 1/2 £000s	Notes 1/2 £000s	Note 3 £000s	Note 4 £000s	Note 5 £000s	£000s	Notes 6-12 £000s	£000s
<b>Balance at 31 March 2018 carried forward</b>	<b>30,373</b>	<b>7,396</b>	<b>48,799</b>	<b>174</b>	<b>1,835</b>	<b>88,577</b>	<b>147,398</b>	<b>235,975</b>
<u>MOVEMENT IN RESERVES DURING 2018/19</u>								
Surplus or Deficit (-) on Provision of Services (accounting basis)	-25,065	-460	0	0	0	-25,525	0	-25,525
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	-8,367	-8,367
Total Comprehensive Income and Expenditure	-25,065	-460	0	0	0	-25,525	-8,367	-33,892
Adjustments between accounting basis & funding basis under regulations	22,375	-1,431	4,484	-174	611	25,865	-25,852	13
Increase/Decrease (-) before Transfers to Earmarked Reserves	-2,690	-1,891	4,484	-174	611	340	-34,219	-33,879
Transfers to/from (-) Earmarked Reserves	-120	120	0	0	0	0	0	0
Increase/Decrease in Year	-2,810	-1,771	4,484	-174	611	340	-34,219	-33,879
<b>Balance at 31 March 2019 carried forward</b>	<b>27,563</b>	<b>5,625</b>	<b>53,283</b>	<b>0</b>	<b>2,446</b>	<b>88,917</b>	<b>113,179</b>	<b>202,096</b>
<u>MOVEMENT IN RESERVES DURING 2019/20</u>								
Surplus or Deficit (-) on Provision of Services (accounting basis)	-15,328	1,699	0	0	0	-13,629	0	-13,629
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	1,954	1,954
Total Comprehensive Income and Expenditure	-15,328	1,699	0	0	0	-13,629	1,954	-11,675
Adjustments between accounting basis & funding basis under regulations	18,325	-1,702	4,663	5	-773	20,518	-20,518	0
Increase/Decrease (-) before Transfers to Earmarked Reserves	2,997	-3	4,663	5	-773	6,889	-18,564	-11,675
Transfers to/from (-) Earmarked Reserves (Note 2)	286	-286	0	0	0	0	0	0
Increase/Decrease (-) in Year	3,283	-289	4,663	5	-773	6,889	-18,564	-11,675
<b>Balance at 31 March 2020 carried forward</b>	<b>30,846</b>	<b>5,336</b>	<b>57,946</b>	<b>5</b>	<b>1,673</b>	<b>95,806</b>	<b>94,615</b>	<b>190,421</b>

For notes to the Movement in Reserves Statement see pages 35 - 42

## COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

2018/19				2019/20		
Expenditure £'000	Income £'000	Net Cost £'000		Expenditure £'000	Income £'000	Net Cost £'000
14,971	3,545	11,426	People	16,807	3,909	12,898
23,656	14,739	8,917	Place	28,326	14,992	13,334
36,194	29,994	6,200	Us	32,950	27,336	5,614
14,156	18,816	-4,660	Council Housing	14,138	21,092	-6,954
14,018	5,577	8,441	Investment Programme Projects	17,792	32,095	-14,303
<b>102,995</b>	<b>72,671</b>	<b>30,324</b>	<b>NET COST OF SERVICES</b>	<b>110,013</b>	<b>99,424</b>	<b>10,589</b>
		607	- Contribution to Housing Pooled Capital Receipts			490
		607	<b>Other Operating Expenditure</b>			490
		28,834	- Interest payable and similar charges			38,167
		4,258	- Pensions interest on obligation (pension notes pages 83-89)			4,266
		-2,624	- Expected return on pension assets (pension notes pages 83-89)			-2,547
		-18,071	- Investment interest income			-25,466
		-16,268	- Rentals received on investment properties			-22,849
		5,490	- Expenses incurred on investment properties			7,735
		14,224	- Changes in fair value of investment properties			19,767
		15,843	<b>Financing &amp; Investment Income &amp; Expenditure</b>			19,073
		-7,022	- Non-domestic rates income and expenditure			-2,155
		-4,482	- Non-ring fenced government grants			-4,288
		-9,745	- Council Tax Income			-10,079
		-21,249	<b>Taxation and Non-Specific Grant Income &amp; Expenditure</b>			-16,522
		<b>25,525</b>	<b>Surplus(-) or Deficit on Provision of Services</b>			<b>13,630</b>
		2,809	Surplus(-)/deficit on revaluation of Property, Plant & Equipment Assets			3,771
		5,558	Actuarial gains(-)/losses on pension assets/liabilities			-5,725
		8,367	<b>Other Comprehensive Income and Expenditure</b>			-1,954
		<b>33,892</b>	<b>Total Comprehensive Income and Expenditure</b>			<b>11,676</b>

Explanatory notes to the Comprehensive Income and Expenditure Statement are on pages 43 - 50

## BALANCE SHEET

31 MARCH 2019		31 MARCH 2020	
£'000		£'000	£'000
	Property, Plant & Equipment (note 1)		
293,725	- Council Dwellings	285,421	
149,533	- Other Land and Buildings	163,920	
5,562	- Vehicles, Plant and Equipment	6,226	
15,100	- Community Assets	15,105	
34,205	- Assets Under Construction	31,970	
498,125			502,642
918	Heritage Assets (note 2b)		918
330,431	Investment Property (note 1)		361,715
193	Intangible Assets (note 1)		168
	Long-Term Investments (note 6)		
49,309	- Shareholdings in Companies		37,808
	Long-Term Debtors (note 7)		
1669	- Mortgagees		1,773
485,242	- Others		749,404
1,365,887	<b>Long Term Assets</b>		1,654,428
10,005	Short Term Investments (note 11)	0	
22	Inventories (note 8)	13	
43,668	Short Term Debtors (note 9)	34,870	
136,444	Cash and Cash Equivalents (note 10)	19,012	
190,139	<b>Current Assets</b>		53,895
-52,637	Short-Term Borrowing (note 11)	-86,953	
-38,018	Short Term Creditors (note 12)	-19,836	
-132	Provision for accrued absences	-155	
-90,787	<b>Current Liabilities</b>		-106,944
-1,189	Provisions (note 16)	-2,780	
-1,149,455	Long-Term Borrowing (note 13)	-1,299,596	
-27,752	Liabilities from PFI & Similar Contracts (note 26)	-26,761	
-70,747	Liability related to pension scheme (pages 83-89)	-68,205	
-14,001	Capital Grants Receipts in Advance (note 14)	-13,621	
-1,263,144	<b>Long Term Liabilities</b>		-1,410,963
<b>202,095</b>	<b>Net Assets</b>		<b>190,416</b>

## BALANCE SHEET

31 MARCH 2019		31 MARCH 2020	
£'000		£'000	£'000
1,500	General Fund		1,500
26,062	Earmarked Reserves - GF		29,343
5,126	Earmarked Reserves - HRA		4,834
497	Housing Revenue Account		500
0	Major Repairs Reserve		5
53,283	Capital Receipts Reserve		57,946
2446	Capital Grants Unapplied		1,673
<b>88,914</b>	<b>Usable Reserves</b>		<b>95,801</b>
109,033	Revaluation Reserve		104,242
-70,747	Pensions Reserve (pension notes pages 80-86)		-68,205
73,852	Capital Adjustment Account		60,496
2	Deferred Capital Receipts		0
-982	Financial Instruments Adjustment Account		-963
-132	Employee Benefits Reserve		-155
2,155	Collection Fund Adjustment Account		-800
<b>113,181</b>	<b>Unusable Reserves</b>		<b>94,615</b>
<b>202,095</b>	<b>TOTAL NET WORTH</b>		<b>190,416</b>

For notes to the Balance Sheet see pages 51-71

For further information on reserve movements during the year, see the notes to the Movement in Reserves Statement on pages 35-42

## CASH FLOW STATEMENT

2018/19		2019/20	
£'000		£'000	£'000
	<b><u>Revenue Activities</u></b>		
-25,525	Net surplus/deficit (-) on the provision of services	-13,629	
41,060	Adjust net surplus/deficit (-) for non-cash movements (Note 1)	-2,335	
15,535	<b>Net cash flow from operating activities</b>		-15,964
	<b><u>Investing activities</u></b>		
	<u>Cash Outflows</u>		
	Purchase of fixed assets and revenue expenditure funded from capital under statute	-95,679	
-138,746	Loans to subsidiaries and joint ventures	-238,189	
-177,402	Shareholdings in Companies	-500	
-2,286	Movement in other long term debtors	-9,169	
0			
-318,434			-343,537
	<u>Cash Inflows</u>		
3,378	Sale of assets	2,886	
7,424	Capital grants received	29,278	
	Sale of Shareholdings in Companies	12,001	
0	Movement in other long term debtors	0	
3,069	Other capital cash receipts	4,665	
13,871			48,830
-304,563	<b>Net cash flow from investing activities</b>		-294,707
-289,028	<b>Net cash flow before financing</b>		-310,671
	<b><u>Management of Liquid Resources</u></b> (Notes 3, 4)		
-2,004	Net movement in short term deposits	10,005	
-2,004			10,005
	<b><u>Financing Activities</u></b> (Notes 2, 3)		
	<u>Cash Outflows</u>		
-29,302	Repayments of long term borrowing	-10,775	
-103,400	Repayments of short term borrowing	-55,000	
-926	Payment of PFI lease liability	-991	
-133,628			-66,766
	<u>Cash Inflows</u>		
433,000	New long term loans raised	175,000	
88,000	New short term loans raised	75,000	
521,000			250,000
387,372	<b>Net cash flow from financing activities</b>		183,234
385,368			193,239
96,340	<b>Net increase/decrease (-) in cash and cash equivalents</b>		-117,432
40,104	<b>Cash and cash equivalents at 1 April</b>		136,444
136,444	<b>Cash and cash equivalents at 31 March</b>		19,012

For notes to the Cash Flow Statement see pages 72-73

## MOVEMENT IN RESERVES STATEMENT EXPLANATORY NOTES

### 1. NOTE OF ADJUSTMENTS BETWEEN THE BASIS OF ACCOUNTS AND FUNDING REQUIRED BY REGULATION

	2018/19 £'000	2019/20 £'000
<b>Surplus (-) or deficit for the year on the Comprehensive Income and Expenditure Statement</b>	25,525	13,629
<b>Amounts included in the Comprehensive Income and Expenditure Statement but required by statute to be excluded when determining the General Fund Balance for the year</b>		
Depreciation and impairment of fixed assets	-3,810	-3,689
Revaluation of fixed assets	-19,495	-31,035
Capital grants with no outstanding conditions	4,845	33,478
Write down of Revenue Expenditure Funded from Capital by Statute	-11,588	-15,020
Net gain/loss on sale of investment properties	0	0
Amounts by which finance costs calculated in accordance with the Code are different from the amount of finance costs calculated in accordance with statutory requirements	15	19
Adjustments made for accumulated absences	93	-23
Net charges made for retirement benefits in accordance with IAS19	-2,996	-3,183
	-32,936	-19,453
<b>Amounts not included in the Comprehensive Income and Expenditure Statement but required to be included by statute when determining the Movement on the General Fund Balance for the year</b>		
Minimum revenue provision for capital financing (a)	4,849	6,077
Transfer to/from Collection Fund adjustment account	5,337	-2,955
Transfer from Capital Receipts Reserve to meet payments to the Housing Capital Receipts Pool	-607	-490
	9,579	2,632
<b>Surplus (-) or deficit for year adjusted as required by regulation</b>	2,168	-3,192
<b><u>Movement on the General Fund Balance</u></b>		
Balance on General Fund brought forward	1,000	1,500
Surplus or deficit(-) for year adjusted as required by regulation (above)	-2,168	3,192
Transfer to (-) or from (+) Housing Revenue Account Balance	1	-3
Transfer to (-) or from (+) Earmarked Reserves	2,167	-3,189
Transfer from Investment Strategy Reserve	500	0
Increase in General Fund Balance for the Year	500	0
Balance on General Fund carried forward	1,500	1,500

## **Movement in Earmarked Reserves**

Balance brought forward	36,272	31,188
Transfer to (-) or from (+) General Fund Balance	-2,167	3,189
Transfer from Investment Strategy Reserve to General Fund Balance	-500	0
Use of Earmarked Reserves to finance capital expenditure	-2,417	-200
Movement in year	-5,084	2,989
Balance carried forward	<u>31,188</u>	<u>34,177</u>

(a) The Minimum Revenue Provision (MRP) is the statutory charge for capital financing and is based on the opening non-HRA Capital Financing Requirement (CFR). The CFR represents the debt liability within the balance sheet (excluding borrowing applied to loans to group companies), adjusted to take account of differences arising from the financial regime prior to April 2004. It has been calculated in line with the MRP policy as approved by the Council on 8 February 2018.

The CFR arising prior to 2008/09 is subject to a 4% MRP (except for group company share purchases which are depreciated at 1%). Expenditure since 2008/09 has been written down based on an assessment of the asset's useful life.

Where expenditure was incurred that cannot be linked to an individual asset, asset lives have been assessed on a basis which most reasonably reflects the anticipated period of benefit that arises from the expenditure. Also, whatever type of expenditure was involved, it has been grouped together in a manner which reflects the nature of the main component of expenditure, and only divided up in cases where there are two or more major components with substantially different useful economic lives.

## **2. EARMARKED RESERVES**

	Balance	Receipts	Payments	Balance	Receipts	Payments	Balance
	1.4.18	in Year	in Year	1.4.19	in Year	in Year	31.3.20
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<u>General Fund</u>							
Investment Strategy Reserve	4,099	1,203	-2,007	3,295	285	-1,127	2,453
Insurance Fund	453	0	-63	390	0	-205	185
Community Fund	354	175	-152	377	180	-134	423
Wolsey Place Reserve	5,915	485	-2,271	4,129	406	-1,336	3,199
Group Company Reserve	750	0	0	750	0	0	750
New Homes Bonus Reserve	1,239	386	-815	810	718	-414	1,114
Equipment Reserve	330	50	0	380	50	0	430
Business Rate Equalisation	6,002	0	-2,851	3,151	874	0	4,025
PFI Reserve	2,753	0	-14	2,739	0	0	2,739
Victoria Square Reserve	796	932	-631	1,097	1,591	-703	1,985
MTFS Reserve	3,444	1,527	0	4,971	28	0	4,999
Town Centre Management							
Agreement Reserve	232	296	-246	282	188	0	470
Off Street Parking Reserve	1,000	1,000	0	2,000	0	0	2,000
Syrian Refugee Reserve	371	51	0	422	113	0	535
Homelessness Support Reserve	203	103	0	306	0	-43	263
Dukes Court Reserve	840	0	-474	366	2,907	0	3,273
Other Reserves	595	448	-446	597	276	-373	500
	<u>29,376</u>	<u>6,656</u>	<u>-9,970</u>	<u>26,062</u>	<u>7,616</u>	<u>-4,335</u>	<u>29,343</u>



### Housing Revenue Account

#### Housing Investment Programme

	6,896	1,497	-3,267	5,126	529	-821	4,834
Total Earmarked Reserves	<u>36,272</u>	<u>8,153</u>	<u>-13,237</u>	<u>31,188</u>	<u>8,145</u>	<u>-5,156</u>	<u>34,177</u>

The Investment Programme Reserves – Investment Strategy Reserve and Housing Investment Programme (HIP) will be used to finance Investment Programme projects, and are earmarked, by memoranda, for specific uses.

The Insurance Fund was established in 1977 in order to meet liabilities for which insurance cover was unavailable or not cost effective. Initially it included provision for potential claims for damages in respect of building control, but insurance cover for this has been effective from February 1983. However, there remains a potential liability for claims in respect of defects which become apparent before that date, and any liabilities arising as a result of Municipal Mutual Insurance ceasing to trade in 1993.

The Community Fund was established in 1982 to provide financial assistance to qualifying community organisations for the provision of new or improved facilities, or maintenance thereof for the benefit of persons living within the Borough. The criteria were extended in October 1984 to enable applications to be considered individually on merit from a wider range of local organisations established and operating for the residents of the Borough.

The Wolsey Place Reserve was established in 2009/10 to meet any market variations in rental income and other costs incurred during redevelopment phases. In September 2011 it was credited with a £10 million receipt on surrender of a lease by a tenant of Export House. The balance has partly been used to mitigate costs relating to the property in particular until new tenants were identified.

The Group Company Reserve was established during 2010/11 to provide a fund against the risks associated with the Thamesway group company business plans.

The New Homes bonus reserve was created following the introduction of the funding by the government in 2011/12 which is intended to fund infrastructure costs arising from developments including the Community Assets Programme.

The Equipment Reserve is a reserve established during 2012/13 to hold funds earmarked for renewing minor items of equipment.

The Business Rate Equalisation Reserve is a reserve established during 2012/13 to hold funds earmarked to mitigate fluctuations in business rates income.

The PFI Reserve was established in 2013/14 to hold funds earmarked for the PFI scheme at Moor Lane and to mitigate fluctuations in cash flows related to the scheme.

The Victoria Square Reserve has been established to hold the arrangement fees from loans to Victoria Square Woking Ltd. The reserve will be used to defray costs to the Council and assist in managing any adverse impact during the construction period.

The Medium Term Financial Strategy (MTFS) Reserve was established in 2015/16 to hold funds earmarked to mitigate central government changes to local government funding in order to allow time for the Council's medium term strategy to be implemented.

The Town Centre Management Agreement Reserve is a reserve established during 2013/14 to hold funds earmarked for the management of the highway network within the town centre.

The Off-Street Parking Reserve is a reserve established during 2017/18 to hold funds earmarked to supplement the income generated from new parking facilities while activity increases to projected levels.

The Syrian Refugee Reserve was established in 2017/18 to hold funds earmarked for the Syrian Refugee Programme. Home Office funding is paid on a per family basis and is phased across a number of years. The corresponding expenditure does not entirely match the profiling of the funding and any annual surplus is held in reserves to be used in future years.

The Homelessness Support Reserve was established in 2017/18 to hold any additional homelessness prevention funding. This is to be used in future years to help mitigate the impact of the Homelessness Reduction Act on Housing Needs budgets. The additional funding is being utilised to provide additional services rather than being taken as a saving to reduce the cost of the Council's existing Housing services.

The Dukes Court reserve has been established to create a fund to meet future landlord investment in the building and to meet any rental shortfalls.

### 3. USABLE CAPITAL RECEIPTS

The Usable Capital Receipts reserve shows the funds available from the sale of Council assets.

	2018/19	2019/20
	£'000	£'000
<u>Movements in realised capital resources</u>		
Amounts receivable	65,814	7,551
Transfer of principal repayments (rec'd) from Deferred Capital Receipts	3	0
Amounts transferred to DCLG for Pooling	-607	-490
Amounts used to offset Sale of Council Houses Admin	-20	-20
Amounts applied to finance new capital expenditure	-60,706	-2,378
<b>Total increase/decrease(-) in realised capital resources</b>	<b>4,484</b>	<b>4,663</b>
Balance brought forward at 1 April	48,799	53,283
<b>Balance carried forward at 31 March</b>	<b>53,283</b>	<b>57,946</b>
Group company loan repayments	48,032	52,697
Held for replacement housing	4,111	3,043
Held for other investment programme use	1,140	2,206
	<b>53,283</b>	<b>57,946</b>

### 4. MAJOR REPAIRS RESERVE

The Major Repairs Reserve is credited with a Major Repairs Contribution, equivalent to depreciation, and is used to fund improvements to the Council's Housing Stock.

	2018/19	2019/20
	£'000	£'000
Expenditure financed from the Major Repairs Reserve	-3,986	-3,767
HRA Depreciation transferred from Capital Adjustment Account	3,812	3,772
<b>Total movement on the Major Repairs Reserve</b>	<b>-174</b>	<b>5</b>
Balance brought forward at 1 April	174	0
<b>Balance carried forward at 31 March</b>	<b>0</b>	<b>5</b>

For further information on the Major Repairs Reserve and the Major Repairs Contribution see note 4 to the Housing Revenue Account on page 77.

## 5. CAPITAL GRANTS UNAPPLIED

The capital grants unapplied balance represents grants which have not been used at the balance sheet date. These grants do not have conditions which could result in the income being repayable.

	2018/19 £'000	2019/20 £'000
Usable capital grants receivable	2,624	3,843
Capital grant unspent with no conditions transferred from I&E	682	229
Grant income transferred to I&E	-2,624	-3,843
Use of prior year capital grants to finance capital expenditure	-71	-1,002
<b>Total movement on Capital Grants Unapplied</b>	<b>611</b>	<b>-773</b>
Balance brought forward at 1 April	1,835	2,446
<b>Balance carried forward at 31 March</b>	<b>2,446</b>	<b>1,673</b>

## 6. REVALUATION RESERVE

The Revaluation Reserve represents the balance of the surpluses or deficits arising on the revaluation of fixed assets since 1 April 2007.

	2018/19 £'000	2019/20 £'000
<u>Movements in unrealised value of fixed assets</u>		
Gains \ losses(-) on revaluation of fixed assets	-2,809	-3,771
Impairment losses on fixed assets due to general changes in prices in 2011/12		
Depreciation On Revalued Assets	-1,305	-1,009
Total increase in unrealised capital resources	-4,114	-4,780
<u>Value of assets sold, disposed of or decommissioned</u>		
Amounts written off fixed asset balances for disposals	0	-11
Balance brought forward at 1 April	113,147	109,033
<b>Balance carried forward at 31 March</b>	<b>109,033</b>	<b>104,242</b>

## 7. PENSIONS RESERVE

The Pension Reserve represents the Council's liability in relation to retirement benefits.

	2018/19 £'000	2019/20 £'000
Difference between amounts charged to the Comprehensive Income and Expenditure Statement and actual amounts payable in the year	-2,996	-3,183
Actuarial gains/(losses)	-5,558	5,725
<b>Total movement on the pension reserve</b>	<b>-8,554</b>	<b>2,542</b>
Balance brought forward at 1 April	-62,193	-70,747
<b>Balance carried forward at 31 March</b>	<b>-70,747</b>	<b>-68,205</b>

For further information on the Pension Fund, see pensions explanatory notes on pages 83-89.

## 8. CAPITAL ADJUSTMENT ACCOUNT

The Capital Adjustment Account represents amounts set aside from revenue resources or capital receipts to finance expenditure on fixed assets or for the repayment of external loans and other capital financing transactions.

	2018/19	2019/20
	£'000	£'000
<u>Amounts applied to Capital Investment:</u>		
Useable receipts applied	60,706	2,378
Amounts applied from Major Repairs Reserve	3,986	3,767
Amounts applied from HIP Reserve	1,829	30
Revenue reserves applied:		
- Investment Strategy Reserve	203	65
- Community Fund	76	0
- Insurance Reserve	0	0
- IT Reserve	180	123
- PFI Reserve	14	0
- Wolsey Place Reserve	130	0
- Victoria Square Reserve	1	0
- Equipment Reserve	0	0
<b>Total amounts applied to Capital Investment</b>	<b>67,125</b>	<b>6,363</b>
<u>Amounts transferred to the General Fund balance</u>		
Write down Revenue Expenditure Funded from Capital by Statute	-11,588	-15,020
Grants and Contributions applied	4,163	33,249
Grant and Contributions applied from prior year grants	71	1,002
Provision for loan repayment (MRP)	4,849	6,077
Less: Depreciation	-3,807	-3,689
Plus: Depreciation on Revalued Assets	1,305	1,009
<b>Total transfer to the General Fund</b>	<b>-5,007</b>	<b>22,628</b>
Transfer HRA depreciation to Major Repairs	-3,812	-3,772
Write down of long term debtors	-62,423	-4,665
Disposal Of Fixed Assets	-3,378	-2,875
Investment Property Revaluations	-14,225	-19,767
Revaluation increase\decreases recognised in the Provision of Services	-5,270	-11,268
<b>Total increase in amounts set aside to finance capital investment</b>	<b>-26,990</b>	<b>-13,356</b>
Balance brought forward at 1 April	100,842	73,852
<b>Balance carried forward at 31 March</b>	<b>73,852</b>	<b>60,496</b>

## 9. DEFERRED CAPITAL RECEIPTS

Deferred Capital Receipts are amounts due on the disposal of assets (such as land and Council houses) where the sale price is received in instalments over an agreed period of time. The amounts outstanding are shown in short term or long term debtors as appropriate.

	31 March 2019 £'000	2019/20 Additions £'000	2019/20 Transfer out £'000	31 March 2020 £'000
Sale of Council House Mortgages	2	0	-2	0
<b>Deferred Capital Receipts</b>	<b>2</b>	<b>0</b>	<b>-2</b>	<b>0</b>

## 10. FINANCIAL INSTRUMENTS ADJUSTMENT ACCOUNT

The Financial Instruments Adjustment Account was introduced in 2007/08. The Opening Balance represented the impact of restating LOBOs to amortised cost basis at 31 March 2007. The movements in the reserve represent the difference between interest costs calculated in accordance with the Code using the effective interest rate approach and interest costs calculated in accordance with statutory requirements.

	2018/19 £'000	2019/20 £'000
<u>Movements in financial instruments</u>		
Overhanging premia written off to I&E	16	16
Being adjustment to value of soft loan	-4	0
Being adjustment to I&E to reflect LOBO Effective Interest Rate	3	3
<b>Total adjustment in financial instruments</b>	<b>15</b>	<b>19</b>
Balance brought forward at 1 April	-997	-982
<b>Balance carried forward at 31 March</b>	<b>-982</b>	<b>-963</b>

## 11. EMPLOYEE BENEFITS RESERVE

This reserve recognises when employees render service and increase their entitlement to future benefit and therefore measures the additional amount the authority expects to pay as a result of unused entitlement (e.g. accrued leave).

	2018/19 £'000	2019/20 £'000
Movement in year - General Fund	-71	20
Movement in year - HRA	-22	3
<b>Total adjustment</b>	<b>-93</b>	<b>23</b>
Balance brought forward at 1 April	225	132
<b>Balance carried forward at 31 March</b>	<b>132</b>	<b>155</b>

## 12. COLLECTION FUND ADJUSTMENT ACCOUNT

The Collection Fund Adjustment Account was created in 2009/10 when the Collection Fund was first accounted for on an agency basis. The Comprehensive Income and Expenditure Statement shows the accrued amounts due to the Council from the Collection Fund in year. A reversal to the Collection Fund Adjustment Account is required to reflect the statutory position. The balance represents the Council's cumulative surplus or deficit on the Collection Fund. In 2013/14 the accounting arrangements for Business Rates were changed to work in a similar way to Council Tax.

	2016/17 £	2017/18 £	2018/19 £	2019/20 £
Council's share of in-year Collection Fund surplus/deficit (-) : Council Tax	136,734	98,683	29,508	44,014

  

	2018 £	31 March 2019 £	2020 £
Balance on Collection Fund Adjustment Account:			
- Council Tax	235,417	128,191	73,522
- Business Rates	-3,417,281	2,026,837	-873,629
	<u>-3,181,864</u>	<u>2,155,028</u>	<u>-800,107</u>

## COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT EXPLANATORY NOTES

### 1. a) EXPENDITURE AND FUNDING ANALYSIS

#### 2019/20

	Net Expenditure Chargeable to the General Fund & HRA Balances	Adjustments between Funding and Accounting Basis (Note 1.(b))	Net Expenditure in the Comprehensive Income & Expenditure Statement
	£000	£000	£000
People	10,470	2,428	12,898
Place	-11,561	24,895	13,334
Us	4,592	1,022	5,614
Council Housing (Housing Revenue Account)	-7,666	711	-6,955
Investment Programme Projects (General Fund)	2,775	-17,078	-14,303
<b>NET COST OF SERVICES</b>	<b>-1,390</b>	<b>11,978</b>	<b>10,588</b>
Other income and expenditure	-1,604	4,645	3,041
<b>Surplus(-) or deficit on Provision of Services</b>	<b>-2,994</b>	<b>16,623</b>	<b>13,629</b>
Opening General Fund & HRA Balance at 1 April	33,185		
Deficit(-)/Surplus on General Fund & HRA Balance in Year	2,994		
<b>Closing General Fund &amp; HRA Balance at 31 March</b>	<b>36,179</b>		

#### Analysed between General Fund & HRA Balances

	General Fund £000	HRA £000	Total £000
Opening General Fund & HRA Balance at 1 April	27,562	5,623	33,185
Less Deficit/Surplus(-) on General Fund & HRA Balance in Year	3,283	-289	2,994
<b>Closing General Fund &amp; HRA Balance at 31 March</b>	<b>30,845</b>	<b>5,334</b>	<b>36,179</b>

#### 2018/19

	Net Expenditure Chargeable to the General Fund & HRA Balances	Adjustments between Funding and Accounting Basis (Note 1.(b))	Net Expenditure in the Comprehensive Income & Expenditure Statement
	£000	£000	£000
People	9,885	1,540	11,425
Place	-5,672	14,590	8,918
Us	4,931	1,271	6,202
Council Housing (Housing Revenue Account)	-6,382	1,723	-4,659
Investment Programme Projects	2,433	6,008	8,441
<b>NET COST OF SERVICES</b>	<b>5,195</b>	<b>25,132</b>	<b>30,327</b>
Other income and expenditure	-614	-4,185	-4,799
<b>Surplus(-) or deficit on Provision of Services</b>	<b>4,581</b>	<b>20,947</b>	<b>25,528</b>
Opening General Fund & HRA Balance at 1 April	37,770		
Deficit(-)/Surplus on General Fund & HRA Balance in Year	-4,581		
<b>Closing General Fund &amp; HRA Balance at 31 March</b>	<b>33,189</b>		

#### Analysed between General Fund & HRA Balances

	General Fund £000	HRA £000	Total £000
Opening General Fund & HRA Balance at 1 April	30,376	7,394	37,770
Less Deficit/Surplus(-) on General Fund & HRA Balance in Year	-2,810	-1,771	-4,581
<b>Closing General Fund &amp; HRA Balance at 31 March</b>	<b>27,566</b>	<b>5,623</b>	<b>33,189</b>

## 1. b) EXPENDITURE AND FUNDING ANALYSIS: ADJUSTMENTS BETWEEN FUNDING AND ACCOUNTING BASIS

Adjustments to arrive at the Comprehensive Income and Expenditure Statement amounts in 2019/20	Adjustments for Capital Purposes (Note i) £000	Net change for the Pensions Adjustments (Note ii) £000	Other Differences (Note iii) £000	Total Adjustments £000
People	1,971	457	0	2,428
Place	9,288	492	15,114	24,894
Us	20	514	488	1,022
Council Housing (Housing Revenue Account)	503	205	3	711
Investment Programme - REFFCUS (Note vi)	15,017	0	0	15,017
Investment Programme - Grants/Other Income (Notes vii)		0	-32,095	-32,095
	26,799	1,668	-16,490	11,977
<b>Other income and expenditure from the Funding Analysis (Note v)</b>	<b>-16,337</b>	<b>1,515</b>	<b>19,468</b>	<b>4,646</b>
<b>Difference between the General Fund and Comprehensive Income and Expenditure Surplus or Deficit (Note iv)</b>	<b>10,462</b>	<b>3,183</b>	<b>2,978</b>	<b>16,623</b>

### Notes

i) Column includes depreciation and impairment and gains and losses and Revenue Expenditure Funded from Capital under Statute (REFFCUS) and Investment Programme Projects charged to the Housing Revenue Account.

ii) Column includes pension adjustments required by IAS19.

iii) Column includes:

- investment properties which are included in "Place" but appear in "Financing and Investment Income & Expenditure" in the Comprehensive Income and Expenditure Statement (not in "Net Cost Services").
- adjustments to "Us" in respect of items previously shown as "Non distributed costs" and "Other Financial Adjustments" (see note 3) which appear in "Net Cost Services" but are not included in People, Place and Us.
- Grants and other income (see vii).

iv) Total adjustments agrees to the "Adjustments between accounting basis & funding basis under regulations" in respect of the General Fund and Housing Revenue Account (columns) in the Movement in Reserves Statement on page 30.

v) Income and expenditure not included in Net Cost of Services but included in Comprehensive Income and Expenditure Surplus or Deficit.

vi) Row includes write downs of Investment Programme projects classified as Revenue Expenditure Funded from Capital under Statute (REFFCUS).

vii) Row includes grants related to Investment Programme Projects and income from the Moor Lane PFI developer in respect of access over WBC property (£x in 2019/20 and £219,942 in 2018/19).

Adjustments to arrive at the Comprehensive Income and Expenditure Statement amounts in 2018/19	Adjustments for Capital Purposes (Note i) £000	Net change for the Pensions Adjustments (Note ii) £000	Other Differences (Note iii) £000	Total Adjustments £000
People	1,317	223	0	1,540
Place	3,520	290	10,778	14,588
Us	91	279	901	1,271
Council Housing (Housing Revenue Account)	1,554	191	-22	1,723
Investment Programme - REFFCUS (Note vi)	11,585	0	0	11,585
Investment Programme - Grants/Other Income (Notes vii)		0	-5,577	-5,577
	18,067	983	6,080	25,130
<b>Other income and expenditure from the Funding Analysis (Note v)</b>	<b>5,311</b>	<b>2,013</b>	<b>-11,510</b>	<b>-4,186</b>
<b>Difference between the General Fund and Comprehensive Income and Expenditure Surplus or Deficit (Note iv)</b>	<b>23,378</b>	<b>2,996</b>	<b>-5,430</b>	<b>20,944</b>



## COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT EXPLANATORY NOTES

### 2. AGENCY SERVICES

The Council continues to administer on-street parking arrangements in Woking and Surrey Heath, bus lane enforcement, town centre maintenance functions and tree and verge maintenance on behalf of Surrey County Council. Rent is collected on behalf of Thamesway Housing Limited and paid over to them but is not recorded as income or expenditure in the Council's own financial statements.

### 3. MEMBERS' ALLOWANCES

Members' Allowances of £275,661 are included in the Comprehensive Income and Expenditure Statement for 2019/20, compared with £282,334 for 2018/19. This includes telephone, broadband, Blackberry/iPad, travel and dependant care allowances. In addition, all Members qualify for Car Park Season tickets.

### 4. OPERATING LEASES

The Council leases property, vehicles and a small number of pieces of equipment. The cost incurred in the year is included in the Comprehensive Income and Expenditure Statement.

	<u>Lease Payments</u>	
	<u>2018/19</u>	<u>2019/20</u>
	£'000	£'000
Property	1,248	1,332
Vehicles	246	481
Other Equipment	15	25
	<b><u>1,509</u></b>	<b><u>1,838</u></b>

	<u>Lease payments due:</u>		
	<u>Within 1 year</u>	<u>2-5 years</u>	<u>Over 5 years</u>
	£'000	£'000	£'000
<u>2019/20</u>			
Property	380	835	5,758
Vehicles	218	217	0
Other Equipment	13	0	0
	<b><u>611</u></b>	<b><u>1,052</u></b>	<b><u>5,758</u></b>
<u>2018/19</u>			
Property	1,221	980	5,871
Vehicles	213	259	0
Other Equipment	15	3	0
	<b><u>1,449</u></b>	<b><u>1,242</u></b>	<b><u>5,871</u></b>

In addition the Council generates income from property leases, amounting to £22.8m in 2019/20 (£16.9m in 2018/19). Ongoing leases will generate future income of £17.2m in 2020/21, £51.3m in 2021/22 to 2024/25 and £150.1m from 2024/25 onwards.

## 5. RELATED PARTIES

The only material related party relationships involving Members or Chief Officers in 2019/20 are in respect of the Council's subsidiary companies and joint ventures. Details of investments in companies in the Thamesway group and other joint ventures and subsidiaries during the year, along with the loans made to these companies during 2019/20, are detailed fully in note 6 and note 7 to the Balance Sheet.

The Council paid Thamesway Energy Limited (TEL) £2.0m for the provision of energy services to council owned properties, £3.6k to Thamesway Sustainable Communities Limited for consultancy support, £353k to Thamesway Maintenance Services Ltd for maintenance and upgrade works. Income of £236k was received from the sale of surplus energy, rents and in respect of administrative support and trademark licence fees.

The Council made loans to Thamesway Central Milton Keynes Ltd (TCMK), £2.2 million, Thamesway Housing, £71.2 million, Thamesway Developments Ltd relating to the Sheerwater Regeneration, £7.1 million, Thamesway Energy Limited, £0.2 million, Thamesway Energy Limited for Poole Road Energy Centre, £4.7 million, Thamesway Housing Limited for Sheerwater property purchases, £7.5 million, Thamesway Housing Limited for Sheerwater Purple Phase, £7.3 million, Victoria Square Woking Ltd, £160.8 million, to provide the companies with resources to advance their businesses, £2 million relating to a loan to and share purchase of Kingfield Community Sports Centre. Dukes Court repaid a loan of £12m during the financial year.

Transactions with organisations grant aided by the Council and where there is a Member or Officer registered interest have been reviewed. In no cases is it considered that these are material to the Council, or the organisation concerned, or that control or significant influence is exercised through this relationship.

The Council is also involved in significant financial transactions with Surrey County Council and Surrey Police and Crime Commissioner, which are included in the Collection Fund on page 80. Central UK Government exerts significant influence through legislation and grant funding, transactions with the government are incorporated in the Collection Fund, Comprehensive Income and Expenditure Statement, Housing Revenue Account and Cash Flow Statement.

## 6. EXTERNAL AUDIT FEES

	<u>2018/19</u>	<u>2019/20</u>
	£'000	£'000
Fees payable to the external auditors:		
- in respect of statutory Code of Practice audits	42	42
- for the certification of grant claims and returns	10	10
	<u>52</u>	<u>52</u>

## 7. IMPAIRMENT

The net revaluation movement recognised in the Surplus/Deficit on the Provision of Services included a £14,214,703 and £25,333,701 revaluation loss on Other Land and Buildings\Assets Under Construction and Investment Property assets respectively in 2019/2019 (£5,312,428 and £19,947,522 in 2018/19). See note 1 in the notes to the Balance Sheet for the overall revaluation movement on these classes of assets. Revaluation losses are charged to the Comprehensive Income and Expenditure Statement for assets which do not have a sufficient balance on the Revaluation Reserve to cover their fall in value. Changes in the fair value of Investment Property are reported separately on the Comprehensive Income and Expenditure Statement.

The reduced valuations have no impact on the General Fund or Housing Revenue Account balances as they are required by statute to be excluded when determining the General Fund Balance for the year.

## 8. EXIT PACKAGES

<u>Cost band</u>	<u>Number of Employees</u>	
	<u>2018/19</u>	<u>2019/20</u>
Upto £9,999	5	8
£10,000 to £19,999	2	6
£20,000 to £29,999	2	3
£30,000 to £39,999	-	3
£40,000 to £49,999	-	2
£50,000 to £59,999	-	1
£60,000 to £69,999	-	-
£70,000 to £79,999	-	-
£80,000 to £89,999	1	1
£90,000 to £99,999	-	1
£100,000 to £109,999	-	-
£110,000 to £119,999	-	-
£120,000 to £129,999	-	-
£130,000 to £139,999	-	-
£140,000 to £149,999	-	-
£280,000 to £289,999	1	-
	<b>11</b>	<b>25</b>

The total cost of exit packages charged to the authority's Comprehensive Income and Expenditure Statement in the current year is £627,556 (£466,068 in 2018/19). There were 9 compulsory redundancies in 2019/20 (1 in 2018/19).

## 9. REMUNERATION TO EMPLOYEES OVER £50,000

<u>Remuneration band</u>	<u>Number of Employees</u>	
	<u>2018/19</u>	<u>2019/20</u>
£50,000 to £54,999	12	13
£55,000 to £59,999	7	6
£60,000 to £64,999	7	6
£65,000 to £69,999	4	5
£70,000 to £74,999	3	4
£75,000 to £79,999	1	2
£80,000 to £84,999	-	2
£85,000 to £89,999	2	-
£90,000 to £94,999	-	2
£120,000 to £124,999	2	-
£125,000 to £129,999	1	-
£130,000 to £134,999	-	1
£135,000 to £139,999	-	1
£140,000 to £144,999	-	-
£145,000 to £149,999	-	1
£180,000 to £184,999	1	-
	<b>40</b>	<b>43</b>

The bandings include the number of employees whose remuneration, excluding employer's pension contributions, was £50,000 or more. The bandings include the remuneration of senior employees who have been listed individually in note 13.

## 10. PAYMENTS TO SENIOR MANAGERS

Annual remuneration paid to Senior Officers who are defined as Corporate Management Group members.

Post holder information (Post title)	--- 2018/19 ---			----- 2019/20 -----		
	Total Remuneration including pension contributions £	Annual Remuneration (Including fees & allowances) £	Compensation for loss of office £	Total Remuneration excluding pension contributions £	Pension contributions £	Total Remuneration including pension contributions £
Chief Executive (Note 1)	128,893	131,783	0	131,783	0	131,783
Deputy Chief Executive (Note 1)	141,931	137,449	0	137,449	19,837	157,286
Strategic Director (Note 2)	188,480	0	0	0	0	0
Head of Democratic and Legal Services (Note 1)	102,336	94,868	0	94,868	13,541	108,409
Finance Director (Chief Finance Officer) (Note 3)	81,790	74,313	0	74,313	10,772	85,085
Director of Housing (Note 4)	0	83,844	0	83,844	12,237	96,081

Note 1: Includes payments for a Borough Election, European Parliamentary Election and UK Parliamentary Election duties held during 2019/20.

Note 2: The Strategic Director's post became redundant on 31st August 2018.

Note 3: The Finance Director works 30 hours per week. The annualised remuneration is equivalent to £91,561.

## 11. EXPENDITURE AND INCOME ANALYSED BY NATURE

The authority's expenditure and income is analysed as follows:

<b>Expenditure/Income</b>	2018/19 £'000	2019/20 £'000
<b>Expenditure</b>		
Employee benefit expenses	21,324	22,966
Other services expenses	66,731	65,718
Depreciation, amortisation, impairment	38,645	53,503
Interest payments	28,834	38,167
Payments to Housing Capital Receipts Pool	607	490
<b>Total Expenditure</b>	156,141	180,844
<b>Income</b>		
Fees, charges and other service income	91,296	125,226
Interest and investment income	18,071	25,466
Income from council tax and non-domestic rates	16,767	12,225
Government grants and contributions	4,482	4,297
<b>Total Income</b>	130,616	167,214
<b>Surplus or Deficit on the Provision of Services</b>	25,525	13,630

## 1. MOVEMENT OF FIXED ASSETS

	Council Dwellings	Other Land & Buildings	Vehicles and Plant	Community Assets	Investment Properties	Assets Under Construction	Intangible Assets	Heritage Assets	TOTAL
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Cost or Valuation</b>									
<b>At 1 April 2019</b>	293,725	152,520	22,259	15,100	330,431	34,205	893	918	<b>850,051</b>
Additions (b)	7,073	4,693	1,880	5	45,669	21,585	24	0	<b>80,929</b>
Accumulated Depreciation & Impairment Written Off To Gross Carrying Amount	-3,772	-2,498	0	0	0	-1	0	0	<b>-6,271</b>
Revaluation increases/decreases(-) recognised in the Revaluation Reserve (c) & (d)	-11,824	14,035	0	0	0	-5,982	0	0	<b>-3,771</b>
Revaluation increases/decreases(-) recognised in the Surplus/Deficit on the Provision of Services (c) & (d)	0	-766	0	0	-19,767	-10,502	0	0	<b>-31,035</b>
Derecognition - Disposals	-2,426	-360	0	0	-100	0	0	0	<b>-2,886</b>
Other Movement In Costs or Valuation	2,645	-791	0	0	5,482	-7,336	0	0	<b>0</b>
<b>At 31 March 2020</b> <b>[A]</b>	<b>285,421</b>	<b>166,833</b>	<b>24,139</b>	<b>15,105</b>	<b>361,715</b>	<b>31,969</b>	<b>917</b>	<b>918</b>	<b>887,017</b>
<b>Accumulated Depreciation &amp; Impairment</b>									
<b>At 1 April 2019</b>	0	-2,987	-16,697	0	0	0	-700	0	<b>-20,384</b>
Depreciation Charge In Year	-3,772	-2,424	-1,216	0	0	0	-49	0	<b>-7,461</b>
Accumulated Depreciation & Impairment Written Off To Gross Carrying Amount	3,772	2,498	0	0	0	0	0	0	<b>6,270</b>
<b>At 31 March 2020</b> <b>[B]</b>	<b>0</b>	<b>-2,913</b>	<b>-17,913</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-749</b>	<b>0</b>	<b>-21,575</b>
<b>Net Book Value</b>									
At 31 March 2020 <b>[A]-[B]</b>	285,421	163,920	6,226	15,105	361,715	31,969	168	918	<b>865,442</b>
At 31 March 2019	293,725	149,533	5,562	15,100	330,431	34,205	193	918	<b>829,667</b>

	Council Dwellings	Other Land & Buildings	Vehicles and Plant	Community Assets	Investment Properties	Assets Under Construction	Intangible Assets	Heritage Assets	TOTAL
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b><u>Cost or Valuation</u></b>									
<b>At 1 April 2018</b>	296,855	150,024	21,083	15,099	168,151	20,634	811	918	<b>673,575</b>
Additions (b)	10,781	1,840	1,176	1	178,863	14,877	82	0	<b>207,620</b>
Accumulated Depreciation & Impairment Written Off To Gross Carrying Amount	-3,812	-1,650	0	0	0	0	0	0	<b>-5,462</b>
Revaluation increases/decreases(-) recognised in the Revaluation Reserve (c) & (d)	-6,721	3,912	0	0	0	0	0	0	<b>-2,809</b>
Revaluation increases/decreases(-) recognised in the Surplus/Deficit on the Provision of Services (c) & (d)	0	-5,270	0	0	-14,225	0	0	0	<b>-19,495</b>
Derecognition - Disposals	-3,378	0	0	0	0	0	0	0	<b>-3,378</b>
Derecognition - Other	0	0	0	0	0	0	0	0	<b>0</b>
Other Movement In Costs or Valuation	0	3,664	0	0	-2,358	-1,306	0	0	<b>0</b>
<b>At 31 March 2019</b> [A]	<b>293,725</b>	<b>152,520</b>	<b>22,259</b>	<b>15,100</b>	<b>330,431</b>	<b>34,205</b>	<b>893</b>	<b>918</b>	<b>850,051</b>
<b><u>Accumulated Depreciation &amp; Impairment</u></b>									
<b>At 1 April 2018</b>	0	-2,095	-15,466	0	0	0	-664	0	<b>-18,225</b>
Depreciation Charge for 2018/19	-3,812	-2,540	-1,231	0	0	0	-36	0	<b>-7,619</b>
Accumulated Depreciation & Impairment Written Off To Gross Carrying Amount	3,812	1,648	0	0	0	0	0	0	<b>5,460</b>
Derecognition - Other	0	0	0	0	0	0	0	0	<b>0</b>
<b>At 31 March 2019</b> [B]	<b>0</b>	<b>-2,987</b>	<b>-16,697</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-700</b>	<b>0</b>	<b>-20,384</b>
<b><u>Net Book Value</u></b>									
At 31 March 2019 [A]-[B]	293,725	149,533	5,562	15,100	330,431	34,205	193	918	<b>829,667</b>
At 31 March 2018	296,855	147,929	5,617	15,099	168,151	20,634	147	918	<b>655,350</b>



(a) Council Dwellings have been revalued as at 31 March 2020. Classes of assets based on type are re-valued on a five year rolling programme as a minimum. Assets are revalued more regularly where a five yearly valuation is insufficient to keep pace with material changes in fair value.

(b) For details of impairment please see note 10 in the Comprehensive Income and Expenditure Statement Explanatory Notes. The £11,537,000 net revaluation gain on Other Land & Buildings included a total £11,784,000 revaluation loss due to a fall in value for some assets. £9,111,000 of this was charged directly to the Revaluation Reserve in 2019/20 offsetting previous upward revaluations.

## 2. HERITAGE ASSETS

In addition to the assets listed above, the Council owns the following heritage assets:

	2018/19		2019/20	
	Number	£'000	Number	£'000
Fountains	1	100	1	100
Sculptures and Statues	9	303	9	303
Works of Art and Murals	11	222	11	222
Civic Regalia	4	169	4	169
Town Gates and War Memorial	2	124	2	124
	<b>27</b>	<b>918</b>	<b>27</b>	<b>918</b>

Heritage assets are reported in the Balance Sheet at their insurance valuation where available. Where no such valuation is available, then historic cost is used in the first instance, otherwise an estimate of the asset's value is made.

The Council owns Woking Palace, a Scheduled Historic Monument. It was the former hunting lodge of King Henry VIII, although now it is mainly a ruin, set within a moated area. There is a small vaulted building which remains, although this is in poor condition. It is not possible to value this asset as the methods, skills and materials to rebuild it no longer exist. Historic cost information is not available as it was originally built 600 years ago and therefore it is not included in the balance sheets at 31 March 2020 or 31 March 2019.

## 3. CAPITAL FINANCING

	2018/19	2019/20
	£'000	£'000
<u>Capital Investment</u>		
Property, Plant and Equipment	28,675	35,236
Investment Properties	178,863	45,669
Intangible Assets	82	24
Revenue Expenditure Funded from Capital under Statute	11,588	15,020
Investments in Group/External Companies - Shares	0	-11,501
	<b>219,208</b>	<b>84,448</b>
Investments in Group Companies - Loans	177,042	262,573
Long Term Debtors	1,419	7,652
Refinancing of Long Term Debtors	-1,709	0
	<b>395,960</b>	<b>354,673</b>
<u>Sources of Finance</u>		
Capital Grant and Contributions	4,234	34,251
Borrowing - Capital Investment	147,874	43,835
Borrowing - Other	176,726	270,224
Reserves	6,419	3,985
Capital Receipts	60,706	2,378
	<b>395,959</b>	<b>354,673</b>

Opening Capital Financing Requirement	439,605	582,630
Increase in underlying need to borrow (unsupported by government financial assistance)	147,874	43,835
Minimum revenue provision	-4,849	-6,077
Closing Capital Financing Requirement	<u>582,630</u>	<u>620,388</u>

#### 4. CAPITAL COMMITMENTS

There were significant commitments for future capital expenditure at 31 March on the following schemes:

	2019 £'000	2020 £'000
Victoria Square	324,902	167,210
Acquisition of Car Park (Victoria Square)	58,000	58,000
Lakeview Community Centre Refurbishment	84	0
Hoe Valley Flood Alleviation and Prevention	219	0
Woking Integrated Transport Plan	6,006	0
Freedom Leisure - Pool and Leisure Centre	950	0
Mechanical Upgrade Works - Leisure Facilities	600	0
Greenfield School	0	4,600
Dukes Court Plaza	0	4,224
Woking Cinemas	0	2,972
Victoria Arch and Other Town Centre Integrated Transport\Infrastructure Works	0	79,958
The Vyne Surgery Extension	0	600
Sheerwater Dentist Surgery	0	546
CCTV Infrastructure Upgrade & Control Room	0	1,516
New Build Housing	0	32,014
	<u>390,761</u>	<u>351,640</u>

The Council is also committed to providing finance to its Group Companies (the Thamesway Group and Brookwood Cemetery) to support approved Business Plans as reflected in the Council's Investment Programme. This includes the Sheerwater Regeneration scheme.

#### 5. FIXED ASSET VALUATION

The Council's freehold and leasehold properties have been valued on a five year rolling programme. Assets are revalued more regularly where a five yearly valuation is insufficient to keep pace with material changes in value. General Fund asset valuations have been carried out by RICS Registered Valuers (Wilks Head & Eve) reporting to the qualified officers of the Council's Estate Management Section. Valuations for Council Dwelling related assets have been carried out by the Council's Estate Management Section. The latest valuations have been completed at 31 March 2020.

Buildings related plant and machinery is included in the valuation of the relevant buildings.

Properties regarded by the authority as operational have been valued on a Current Value Basis. For specialised properties the current value has been derived using Depreciated Replacement Cost methodology. Where an active market is available for the asset it has been measured at Existing Use Value.

Investment Properties and Assets Held For Sale are valued at Fair Value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In arriving at the fair value of the asset, the highest and best use of the property is deemed to be its current use. IFRS 13 seeks to increase consistency in the valuation process through the fair value hierarchy. There are three levels of categories within this hierarchy:

- Level 1: quoted prices.
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3: unobservable inputs for the asset or liability.

The Fair Value valuations carried out in 2019/20 were all at level 2. The typical valuation inputs used were:

- Market Rental and Sale Values
- Yields
- Void and Letting Periods
- Size
- Configuration, proportions and layout
- Location, visibility and access
- Condition
- Lease covenants
- Obsolescence

Assets valued below the following de minimis levels are not included in the balance sheet:

Infrastructure	£25,000
Land	£5,000
Buildings	£10,000
Plant	£5,000
Vehicles	£5,000
Other Equipment	£1,000

## 6. LONG TERM INVESTMENTS

	31 March 2019 £'000	31 March 2020 £'000
<u>Shareholdings in Companies</u>		
Thameswey Limited	31,193	31,193
Woking Necropolis and Mausoleum Limited	6,000	6,000
Woking Town Centre Management	1	1
Victoria Square Woking Limited	14	14
Local Capital Finance Company	50	50
Surrey Save Credit Union	50	50
Dukes Court	12,001	0
Kingfield Community Sports Centre	0	500
	<b><u>49,309</u></b>	<b><u>37,808</u></b>

Further information about the Council's group companies and joint ventures is shown on pages 93 - 94.

## 7. LONG-TERM DEBTORS

The Council has granted the following loans to its Group Companies and other organisations. Further details of the Group Company loans made during the year can be found in note 6 to the Comprehensive Income and Expenditure Statement on page 46.

	31 March 2019 £'000	31 March 2020 £'000
Thameswey Energy Limited	13,214	12,889
Thameswey Central Milton Keynes Limited	30,816	32,023
Thameswey Housing Limited	146,310	217,483
Thameswey Housing (Sheerwater)	30,951	45,358
Thameswey Solar Limited	1,315	1,158
Thameswey Developments (THL)	67,750	45,250
Thameswey Developments (S/W Leisure)	0	7,100
Thameswey Developments (Sheerwater)	5,000	5,000
Thameswey Developments (TEL)	2,000	6,641
Dukes Court	0	
Rutland Woking Limited	1,565	1,665
Victoria Square Woking Limited	198,549	356,425
Mortgages	1,669	1,773
Peacocks	6,350	6,350
Woking Hospice	8,557	9,114
Greenfield School	0	6,400
Byfleet Scouts	100	100
Woking Football Club	100	75
Freedom Leisure	905	1,490
Kingfield Community Sports Loan		1,500
Other Long Term Debtors	80	129
Repayments due within 1 year	-28,320	-6,746
	<u><b>486,911</b></u>	<u><b>751,177</b></u>

In addition to loans to Group Companies, Long Term Debtors also consists of:

- i) amounts outstanding on mortgages granted for private house purchase and amounts due arising from the sale of Council houses, and
- ii) other deferred debtors in respect of car purchase and other loans to Council employees, and a loan agreement with Woking Hockey Club.

## 8. DEBTORS AND PREPAYMENTS

	31 March 2019 £'000	31 March 2020 £'000
<u>Government</u>		
Enterprise M3 (EM3)	0	0
Education Funding Agency (EFA)	0	0
Other Central Government Bodies	1,233	1,946
<u>Non Government</u>		0
Local Tax Payers	1,014	1,382
Housing Rents, Rates & Water	1,126	1,549
Rechargeable Works	135	139
Sundry Debtors	11,018	23,051
Prepayments	970	1,340
Accrued Interest on Long Term Debtors	2,492	2,500
Long term Debtors amounts due within 1 year	28,320	6,747
Bad Debt Provision – see below	-2,640	-3,784
	<b><u>43,668</u></b>	<b><u>34,870</u></b>

The Bad Debt Provision was made up of:

	2019 £'000	2020 £'000
Housing Rents	318	493
Other Sundry Debtors	409	618
Managing Agents	0	243
Benefits	1,064	1,162
Housing Deposits	431	441
Council Tax	142	293
Business Rates	271	529
Rechargeable Works	5	5
	<b><u>2,640</u></b>	<b><u>3,784</u></b>

## 9. CASH AND CASH EQUIVALENTS

	31 March 2019 £'000	31 March 2020 £'000
Cash	8,415	9,011
Deutsche Bank Advisors	30,006	0
Federated Prime Rate Liquidity Fund	50,010	10,001
LGIM Fund	48,013	0
	<b><u>136,444</u></b>	<b><u>19,012</u></b>

## 10. SHORT TERM INVESTMENTS AND BORROWING

	31 March 2019 £'000	31 March 2020 £'000
<u>Deposits of Temporary Surplus Funds</u>		
Stockport Metropolitan Borough Council	0	0
Suffolk County Council	0	0
Surrey County Council	10,005	0
	<b>10,005</b>	<b>0</b>
<u>Short term borrowing</u>		
North Yorkshire County Council	5,023	10,040
Oxfordshire County Council	0	5,010
Durham County Council	0	5,011
Nottinhamshire Police & Crime Commissioner	0	5,011
Greater London Authority	0	30,045
Teeside Pension Fund	3,016	0
London Borough of Ealing	5,010	0
Hampshire County Council	5,017	0
Chichester District Council	2,011	0
London Borough of Merton	5,028	0
London Borough of Havering	5,023	0
South Gloucestershire Council	5,022	0
Loans reclassified from long term as due within one year	10,066	24,144
	45,216	79,261
Accrued interest on long term borrowing	7,104	7,678
Accrued interest on short term creditor	302	0
Amounts held on behalf of Mayors Appeal	15	14
	<b>52,637</b>	<b>86,953</b>

## 11. CREDITORS AND RECEIPTS IN ADVANCE

	31 March 2019 £'000	31 March 2020 £'000
<u>Government</u>		
Central Government Bodies	527	5,222
Other Local Authorities	7,840	1,239
<u>Non Government</u>		
Local Tax Payers	801	901
Housing Rents	489	621
Mortgagees	0	-6
Rechargeable Works	82	82
Sundry Creditors	28,279	11,777
	<b>38,018</b>	<b>19,836</b>

## 12. BORROWING REPAYABLE WITHIN A PERIOD IN EXCESS OF 12 MONTHS

The following long-term borrowing was outstanding at 31 March:

Lender	Loan type	Maturity Date	2019 £'000	2020 £'000
- Danske Bank	LOBO (next option at 05/04/2020)*	05/04/2055	5,312	5,309
- Dexia PFB	LOBO (next option at 08/04/2020)*	06/10/2076	5,344	5,344
- Dexia PFB	LOBO (next option at 22/11/2026)*	22/11/2076	5,070	5,071
Accrued Interest			-300	-301
			<u>15,426</u>	<u>15,423</u>
PWLB:	Fixed rate loan - Annuity		677,112	829,916
	Fixed rate loan - Maturity		449,073	461,065
Accrued Interest (shown within short term borrowing)			-6,594	-7,165
Loan reclassified from long term to short term as due within one year			-10,066	-24,144
			<u>1,109,525</u>	<u>1,259,672</u>
LB of Wandsworth	Fixed rate loan	14/11/2018	0	0
LB of Hackney	Fixed rate loan	19/11/2021	3,518	3,518
Cornwall Council	Fixed rate loan	04/01/2022	6,019	6,019
Barclays Bank**	Fixed rate loan	31/07/2076	5,039	5,040
Barclays Bank**	Fixed rate loan	31/07/2076	5,039	5,040
Barclays Bank**	Fixed rate loan	05/04/2077	5,096	5,096
Enterprise M3 (LEP Interest free loan		31/12/2018	0	0
Accrued Interest (shown within short term borrowing)			-211	-212
Loan reclassified from long term to short term as due within one year			0	0
			<u>24,500</u>	<u>24,501</u>
			<u>1,149,451</u>	<u>1,299,596</u>

\*A LOBO is a loan where the lender may exercise an option to vary the interest rate payable at periodic intervals and the borrower has the option at that time to repay the loan.

\*\*Reclassified from LOBOs to market loans effective 28th June 2016.

## 13. CAPITAL GRANTS RECEIPTS IN ADVANCE

Grants and contributions are recognised in the Comprehensive Income and Expenditure Statement on receipt if all relevant conditions have been met. The following grants had been received at the balance sheet date but the conditions had not been met and are therefore shown on the balance sheet as receipts in advance.

	2019 £'000	2020 £'000
Capital grants receivable	1,665	29,246
Use of grant to finance capital expenditure	-2,221	-29,634
Use of grant to finance revenue projects	-9	-1
<b>Total movement on Capital Grants</b>	<u><b>-565</b></u>	<u><b>-389</b></u>
Balance brought forward at 1 April	14,578	14,013
<b>Balance carried forward at 31 March</b>	<b>14,013</b>	<b>13,624</b>

Of the total grants received in advance, £383,632 relates to contributions from developers (£1,393,870 in 2018/19).

For details of grants received in the year see note 6 to the Cash Flow Statement.

#### 14. COLLECTION FUND

The Collection Fund is a fund managed by the billing authority (Woking Borough Council) to receive Council Tax and Business Rates income. It is also used to pay a share of Council Tax collected to the Borough Council, County Council and Police and Crime Commissioner, and to make payments of Business Rates collected to the Borough Council, County Council and Central Government.

The balance relating to Woking Borough Council is included in the reserves in the Balance Sheet, see Movement in Reserves Statement note 12. The remaining balance relating to Surrey County Council and Surrey Police and Crime Commissioner is included in the creditor balances, see Balance Sheet Note 12. For further details see notes to the Collection Fund.

#### 15. PROVISIONS

The Council is the subject of claims resulting from charging for land charge personal searches and has made a provision in respect of these potential future liabilities. A provision has also been made in respect of the Council's share of business rates valuation appeals over which there is uncertainty as they are determined by the Valuation Office (not by the Council). The provisions are shown in the table below.

	Long Term Land Charges £000	Long Term Business Rate Appeals £000	Long Term Total £000
Balance b/f	23	1,166	1,189
Additional Provision		2,948	2,948
Amounts used		<u>-1,357</u>	<u>-1,357</u>
Balance c/f	<u>23</u>	<u>2,757</u>	<u>2,780</u>

#### 16. CONTINGENT LIABILITIES

##### Municipal Mutual Insurance

Prior to February 1993 the Council secured its insurance arrangements through Municipal Mutual Insurance (MMI). MMI were forced to cease trading in February 1993. Liabilities of MMI are the ultimate responsibility of its members, of which Woking was one.

A review of the potential liabilities was undertaken by MMI's administrators at 31 March 2020. The review identified that the maximum cost for Woking was £544,500 (£567,844 at 31 March 2019).

The Council's Insurance Fund was previously enhanced to cover any potential shortfall when MMI ceased trading. This position was reviewed during the year, and will be kept under review during 2020/21.

#### 17. THE COUNCIL AS TRUSTEE

The Recreation Ground Charity, relating to West Byfleet Recreation Ground, was established in 1913. The Council holds the land, which constitutes the total assets of the charity, on trust as trustee in its corporate capacity. The charity had no income or expenditure during the year.



## 18. EVENTS AFTER THE BALANCE SHEET DATE

Events arising after the Balance Sheet date are reflected in the accounts if they provide additional evidence of a condition that existed at the Balance Sheet date and materially affect the accounts. Events which occur after the Balance Sheet date and concern conditions which did not exist at the time are detailed in notes to the accounts.

The presence of the Covid-19 pandemic has caused significant strain on the economy and stringent measures to be taken to subdue the outbreak by policy-makers. We are unable to forecast the financial consequence of this pandemic, as it cannot be quantified at this time.

At 31 August 2020 no relevant non Covid-19-related events had occurred.

## 19. FINANCIAL INSTRUMENT BALANCES

	<u>Long-term</u>		<u>Current</u>	
	31st March 2019 £'000	31st March 2020 £'000	31st March 2019 £'000	31st March 2020 £'000
<b>Borrowings</b>				
<u>Amortised Cost</u>				
Borrowing	1,194,374	1,358,177	165	131
Creditors	<u>0</u>	<u>0</u>	<u>27,309</u>	<u>11,859</u>
	<u>1,194,374</u>	<u>1,358,177</u>	<u>27,474</u>	<u>11,990</u>
<b>Investments</b>				
<u>Amortised Cost</u>				
Cash and Cash Equivalents	0	0	136,444	19,012
Investments	0	0	10,005	0
Debtors	<u>0</u>	<u>0</u>	<u>11,153</u>	<u>23,190</u>
	<u>0</u>	<u>0</u>	<u>157,602</u>	<u>42,202</u>

## 20. FINANCIAL INSTRUMENTS GAINS/LOSSES

<u>2019/20</u>	<u>Financial Liabilities</u>		<u>Financial Assets</u>		Total
	Amortised cost £'000	Fair value through I&E/OCI £'000	Amortised cost £'000	Fair value through I&E/OCI £'000	
Interest expense	38,167	-	-	-	38,167
<b>Total Expense on the Provision of Services</b>	<u>38,167</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>38,167</u>
Interest income	-	-	10,361	-	10,361
<b>Total Income in Surplus on the Provision of Services</b>	<u>-</u>	<u>0</u>	<u>10,361</u>	<u>-</u>	<u>10,361</u>
<b>Net gain/(loss) for the year</b>	<u><b>-38,167</b></u>	<u><b>0</b></u>	<u><b>10,361</b></u>	<u><b>-</b></u>	<u><b>-27,806</b></u>

## 20. FINANCIAL INSTRUMENTS GAINS/LOSSES (cont.)

2018/19	Financial Liabilities		Financial Assets		Total
	Amortised cost	Fair value through I&E/OCI	Amortised cost	Fair value through I&E/OCI	
	£'000	£'000	£'000	£'000	
Interest expense	28,834	-	-	-	28,834
Losses on derecognition	-	-	-	-	0
Impairment losses	-	-	-	-	-
<b>Total Expense on the Provision of Services</b>	<b>28,834</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>28,834</b>
Interest income	-	0	5,051	-	5,051
Gains on derecognition	-	-	-	-	-
<b>Total Income in Surplus on the Provision of Services</b>	<b>-</b>	<b>0</b>	<b>5,051</b>	<b>-</b>	<b>5,051</b>
Gains/(Losses) on revaluation	-	-	-	-	-
<b>Surplus/(Deficit) arising on revaluation of financial assets</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net gain/(loss) for the year</b>	<b>-28,834</b>	<b>0</b>	<b>5,051</b>	<b>-</b>	<b>-23,783</b>

## 21. FAIR VALUE OF ASSETS AND LIABILITIES CARRIED AT AMORTISED COST

The fair values of each class of financial assets and liabilities which are carried in the balance sheet at amortised cost is disclosed below. The fair value of an instrument is determined by calculating the Net Present Value of future cash flows, which provides an estimate of the value of payments in the future in today's terms. The discount rate used in the NPV calculation is the rate applicable in the market on the date of valuation for an instrument with the same structure, terms and remaining duration.

For debt, this will be the new borrowing rate since premature repayment rates include a margin which represents the lender's profit as a result of rescheduling the loan; this is not included in the fair value calculation since any motivation other than securing a fair price should be ignored.

The rates quoted in this valuation were obtained by our treasury management consultants from the market on 31st March, using bid prices where applicable.

The calculations are made with the following assumptions:

- For PWLB debt, the discount rate used is the rate for new borrowing at 31 March 2020.
- For other market debt and investments the discount rate used is the rates available for an instrument with the same terms from a comparable lender.
- Interpolation techniques between available rates where the exact maturity period was not available.
- No early repayment or impairment is recognised.
- Fair values have been calculated for all instruments in the portfolio, but only disclose those which are materially different from the carrying value.
- The fair value of trade and other receivables is taken to be the invoiced or billed amount.

## 21. FAIR VALUE OF ASSETS AND LIABILITIES CARRIED AT AMORTISED COST (cont.)

	31st March 2019		31st March 2020	
	Carrying amount £'000	Fair Value £'000	Carrying amount £'000	Fair Value £'000
PWLB - maturity	449,073	584,456	461,022	569,240
PWLB - annuity	677,112	702,209	829,856	808,269
LOBOs	15,726	24,956	15,726	23,704
Market Loans	15,174	26,134	24,676	36,371
LEP Loan	0	0	0	0
Short term borrowing	15	15	14	14
Finance Lease	27,752	32,874	27,752	31,928
Creditors	27,309	27,309	11,859	11,859
<b>Financial Liabilities</b>	<b>1,212,161</b>	<b>1,397,953</b>	<b>1,370,905</b>	<b>1,481,385</b>

Fair value may be higher than the carrying amount because the Council's portfolio of loans includes a number of fixed rate loans where the interest rate payable is lower than the rates available for similar loans at the Balance Sheet date. The commitment to pay interest below current market rates reduces the amount that the Council would have to pay if the lender requested or agreed to early repayment of the loans.

	31st March 2019		31st March 2020	
	Carrying amount £'000	Fair Value £'000	Carrying amount £'000	Fair Value £'000
Cash and cash equivalents	136,444	136,444	19,012	19,012
Investments with other local authorities	10,005	10,005	0	0
Debtors	11,153	11,153	23,190	23,190
<b>Financial Assets</b>	<b>157,602</b>	<b>157,602</b>	<b>42,202</b>	<b>42,202</b>

The fair value may be higher than the carrying amount because the Council's portfolio of investments includes a number of fixed rate loans where the interest rate receivable is higher than the rates available for similar loans at the Balance Sheet date. This guarantee to receive interest above current market rates increases the amount that the authority would receive if it agreed to early repayment of loans.

## 22. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

The Council's management of treasury risks actively works to minimise the Council's exposure to the unpredictability of financial markets and to protect the financial resources available to fund services. The Council has fully adopted CIPFA's Code of Treasury Management Practices and has written principles for overall risk management as well as written policies and procedures covering specific areas such as credit risk, liquidity risk and market risk.

### Credit Risk

Credit risk arises from the short-term lending of surplus funds to banks, building societies and other local authorities as well as credit exposures to the Council's customers. It is the policy of the Council to place deposits only with a limited number of high quality banks and building societies and to restrict lending to a prudent maximum amount for each institution. The Council's policy limits deposits to a maximum of £4m for local authorities, banks rated AAA (with the exception of Lloyds, the Council's bankers), or Aaa and building societies with gross assets in excess of £1,000m and limits deposits to a maximum of £2m for banks rated AA- or Aa3 and building societies with gross assets between £500m and £1,000m (for further information, see the Council's Treasury Management Strategy).

The following analysis summarises the Council's potential maximum exposure to credit risk, based on past experience and current market conditions. No credit limits were exceeded during the financial year (apart from with the Council's own banker in situations where no suitable counterparties were available) and the Council expects full repayment on the due date of deposits placed with its counterparties.

	Amounts at 31 March 2020 £'000	Historical experience of default %	Historical experience adjusted for market conditions as at 31 March 2020 %	Estimated maximum exposure to default and uncollectability £'000
Deposits with banks and other institutions	19,012	-	-	-
Customers	<u>28,067</u>	5.72	5.72	<u>1,605</u>
	<u>47,079</u>			<u>1,605</u>

No credit limits were exceeded during the reporting period and the Council does not expect any losses from non-performance by any of its counterparties in relation to deposits and bonds.

The Council does not generally allow credit for customers. £5,487m of the £5,688m sundry debtor balance is past its due date for payment. The past due amount can be analysed by age as follows, and the bad debt provision takes account of the age of the debt.

	31 March 2019 £'000	31 March 2020 £'000
Less than 3 months	1,604	3,576
3 to 6 months	378	952
6 months to 1 year	451	601
More than 1 year	<u>406</u>	<u>358</u>
	<u><b>2,839</b></u>	<u><b>5,487</b></u>

The Council has carried out a review of all asset backed loan assets. For each loan that is technically considered to be credit impaired (totalling £8.5m), the terms that are in place and the Expected Credit Loss (ECL) required to be recognised have been considered. For each of the loans, the Authority holds collateral in the form of a property asset. In considering the ECL to be recognised, the value of the property asset has been taken into account and is considered to be sufficient to cover the loan outstanding and any accrued interest. For this reason, no ECL allowance is considered necessary at this time.

### Liquidity Risk

The Council has access to a facility to borrow from the Public Works Loans Board. As a result there is no significant risk that the Council will be unable to raise finance to meet its commitments under financial instruments. The Council has safeguards in place to ensure that a significant proportion of its borrowing does not mature for repayment at any one time in the future to reduce the financial impact of re-borrowing at a time of unfavourable interest rates. The Council's approach is to restrict the number of loans that are due to mature within any financial year through a combination of prudent planning of new loans taken out and, where it is economic to do so, making early repayments.

The maturity structure of financial liabilities is as follows (at nominal value):

	On 31 March 2019 £'000	On 31 March 2020 £'000
Public Works Loans Board	1,119,591	1,283,679
Market debt/LOBOs	74,500	94,500
LEP Loan	0	0
Temporary borrowing	15	14
Other	0	0
	<u>1,194,106</u>	<u>1,378,193</u>
Less than 1 year	53,414	73,514
Between 1 and 2 years	25,000	31,000
Between 2 and 5 years	13,500	9,000
Between 5 and 10 years	17,336	12,103
More than 10 years	<u>1,100,256</u>	<u>1,252,578</u>
	<u>1,209,506</u>	<u>1,378,195</u>

In the more than 10 years category there are no LOBOs which have a call date in the next 12 months.

### Market Risk

The Council is exposed to interest rate risk in two different ways; the first being the uncertainty of interest paid/received on variable rate instruments, and the second being the effect of fluctuations in interest rates on the fair value of an instrument.

The current interest rate risk for the authority is summarised below:

- Decreases in interest rates will affect interest earned on variable rate investments, potentially reducing income credited to the Comprehensive Income and Expenditure Statement.
- Increases in interest rates will affect interest paid on variable rate borrowings, potentially increasing interest expense charged to the Comprehensive Income and Expenditure Statement.
- The fair value of fixed rate financial assets will fall if interest rates rise. This will not impact on the Balance Sheet for the majority of assets held at amortised cost, but will impact on the disclosure note for fair value. It would have a negative effect on the Balance Sheet for those assets held at fair value in the Balance Sheet, which would also be reflected in the Movement in Reserves Statement.
- The fair value of fixed rate financial liabilities will rise if interest rates fall. This will not impact on the Balance Sheet for the majority of liabilities held at amortised cost, but will impact on the disclosure note for fair value.

The Council has a number of strategies for managing interest rate risk. The Treasury Management Strategy includes an indicator which provides maximum limits for fixed and variable rate interest exposure, at 100% and 70% respectively. During periods of falling interest rates, the drawing of longer term fixed rate borrowing would be postponed. Conversely the expectation of a sharp rise in rates would lead to consideration of long term borrowing while rates were still relatively low, subject to the overall portfolio position.

There is an active strategy for assessing interest rate exposure that feeds into the setting of the annual budget and which is used to review the budget monthly during the year. This allows any adverse changes to be accommodated. The analysis will also advise whether new borrowing taken out is fixed or variable.

According to this assessment strategy, at 31 March, if interest rates had been 1% higher with all other variables held constant, the financial effect would be:

	2019 £'000	2020 £'000
Increase in interest payable on variable rate borrowings	50	0
Increase in interest receivable on variable rate investments	<u>16</u>	<u>16</u>
Net increased income in Comprehensive Income and Expenditure Statement	<u>66</u>	<u>16</u>
Share of overall interest cost debited to the HRA	<u>8</u>	<u>0</u>
Decrease in fair value of fixed rate borrowing liabilities	238,712	241,672

No impact on Surplus/Deficit on Provision of Services or other Comprehensive Income and Expenditure. The impact of a 1% fall in interest rates would be as above but with the movements being reversed.

### 23. PRIVATE FINANCE INITIATIVE

For 25 years Kier Partnership Homes will design, build and maintain 224 homes, in return for an agreed unitary charge, after which the assets will revert back to the Council. These homes will be leased for 125 years by the Council to Thames Valley Housing Association ('TVHA'), who will own the tenancies, provide landlord services and account for rental income directly. The Council retains nomination rights over the properties. TVHA has the opportunity to nominate its own tenants following an unsuccessful Council nomination procedure. The fair values of each class of financial assets and liabilities which are carried in the balance sheet at amortised cost are disclosed in note 24. The fair value of an instrument is determined by calculating the Net Present Value of future cash flows, which provides an estimate of the value of payments in the future in today's terms. The discount rate used in the NPV calculation is the rate applicable in the market on the date of valuation for an instrument with the same structure, terms and remaining duration. All of the 224 units were completed and handed over by 31 March 2017.

#### a. Assets recognised under the PFI arrangement:

	2018/19 £'000	2019/20 £'000
<b>Cost</b>		
As at 1 April	<u>30,814</u>	<u>30,814</u>
As at 31 March	<u>30,814</u>	<u>30,814</u>
<b>Depreciation</b>		
As at 1 April	934	1,544
Charged in year	<u>610</u>	<u>610</u>
As at 31 March	<u>1,544</u>	<u>2,154</u>
<b>Net Book Value</b>		
As at 31 March	29,270	28,660
As at 1 April	29,880	29,270

### 23. PRIVATE FINANCE INITIATIVE (cont.)

#### b. Liabilities arising from PFI and similar contracts:

The Council has the following liability resulting from the PFI scheme:

	2018/19	2019/20
	£'000	£'000
As at 1 April	28,667	27,752
Finance lease liability redemption payments during the year	-915	-991
As at 31 March	<u>27,752</u>	<u>26,761</u>

#### c. Payments to be made under PFI and similar contracts:

The Council was committed at 31 March 2020 to making the following payments under the PFI scheme:

	Repayments of Liability	Interest	Lifecycle replacement costs	TOTAL
	£'000	£'000	£'000	£'000
Due within one year	1,095	1,978	17	3,090
Due within 2-5 years	5,017	7,023	315	12,355
Due within 6-10 years	7,745	6,396	1,302	15,443
Due within 11-15 years	8,158	3,363	3,923	15,444
Due within 16-20 years	4,746	755	5,697	11,198
	<u>26,761</u>	<u>19,515</u>	<u>11,254</u>	<u>57,530</u>

## NOTES TO THE CASH FLOW STATEMENT

The cash flow statement summarises the inflows and outflows of cash arising from revenue and capital transactions between the Council and third parties. Cash and cash equivalents comprise balances in the Council's bank account, money market account and money market funds.

### 1. RECONCILIATION OF NET CASH FLOW FROM OPERATING ACTIVITIES

	2018/19	2019/20	
	£'000	£'000	£'000
Net surplus/(deficit) on the provision of services	-25,525		-13,629
<u>Less</u>			
Depreciation, impairment and amortisation			
- General Fund	3,810	3,689	
- HRA	3,812	<u>3,772</u>	
			7,461
Revaluation gain on Investment Property	14,224		19,767
Reversal of NCA historic losses with subsequent gains	5,270		11,268
Capital items charged/(credited) to General Fund Balance	8,226		-18,844
Net increase/(decrease) in other current assets and liabilities	5,557		-26,751
Net increase/(decrease) in Provisions (Long Term Liabilities)	-2,779		1,591
Net charges for retirement benefits in accordance with IAS19	2,996		3,183
Other non-cash items	-56		-10
<b>Net cash flow from Operating Activities</b>	<b><u>15,535</u></b>		<b><u>-15,964</u></b>

### 2. MOVEMENT IN CASH RECONCILED TO THE MOVEMENT IN NET DEBT

	£'000
Decrease/(increase) in cash and equivalents for the year	117,432
Cash inflow/(outflow) from the increase/(decrease) in long term debt	164,225
Cash inflow/(outflow) from the increase/(decrease) in temporary debt	20,000
Cash inflow/(outflow) from the (increase)/decrease in liquid resources	10,005
Change in Net Debt arising from Cashflows	<u>311,662</u>
Change in net debt arising from non-cash items	232
Net debt at 31.3.19	1,055,643
Net debt at 31.3.20	<b><u>1,367,537</u></b>

### 3. FINANCE AND MANAGEMENT OF LIQUID ASSETS RECONCILED TO THE BALANCE SHEET

	As at 31.3.19	Inflows	Outflows	Movement in Non-cash items	As at 31.3.20
	£'000	£'000	£'000	£'000	£'000
Temporary loans	-52,637	-75,000	55,000	-14,316	-86,953
Long term loans	-1,149,455	-175,000	10,775	14,084	-1,299,596
Temporary investments (net)	10,005	-10,005	0	0	0
Cash	136,444	-117,432	0	0	19,012
	<b><u>-1,055,643</u></b>	<b><u>-377,437</u></b>	<b><u>65,775</u></b>	<b><u>-232</u></b>	<b><u>-1,367,537</u></b>



#### 4. LIQUID ASSETS

Liquid Assets are deposits of surplus cash for periods of less than one year.

#### 5. SIGNIFICANT CASH TRANSACTIONS DURING THE YEAR

Long term loans totalling £175 million were raised under the Prudential Code for Local Authority Borrowing to assist in achieving the Council's affordable housing, sustainability and other service priorities (£423 million in 2018/19).

The Council provided loans to its group companies, joint ventures and external organisations of £258 million in 2019/20 (£177 million in 2018/19).

#### 6. ANALYSIS OF GOVERNMENT GRANTS

	2018/19 £'000	2019/20 £'000
Housing Improvements	1,289	1,204
Syrian Refugee Families	405	672
Homelessness Grants	335	308
Safer Working Partnership	7	17
Community Alarms	12	0
Sports Development	3	14
Havering Farm (Rural Grants)	0	18
Countryside	0	13
	<u>2,051</u>	<u>2,246</u>

#### 7. INTEREST AND DIVIDENDS

Interest cash flows contained in the Net surplus/deficit on the provision of services (operating activities) are shown below. There were no dividends paid in 2019/20 or 2018/19. Dividends received are shown below.

	2018/19 £'000	2019/20 £'000
Interest paid	24,821	36,512
Interest received	18,156	22,168
Dividends received	40	2,763

## HOUSING REVENUE ACCOUNT INCOME AND EXPENDITURE ACCOUNT

	2018/19	2019/20
	£'000	£'000
<b>Income</b>		
Dwelling Rents & Service Charges	-18,126	-17,956
Charges for services and facilities	-458	-832
Contribution towards expenditure	-38	-47
<b>TOTAL INCOME</b>	<b>-18,622</b>	<b>-18,835</b>
<b>Expenditure</b>		
Repairs and Maintenance	2,087	2,380
Supervision and Management	8,049	5,711
Rents, Rates, Taxes and other Charges	15	17
Depreciation and impairments of fixed assets	3,812	3,772
Debt Management Costs	20	30
<b>TOTAL EXPENDITURE</b>	<b>13,983</b>	<b>11,910</b>
<b>NET COST OF HRA SERVICES INCLUDED IN THE WHOLE AUTHORITY COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT</b>	<b>-4,639</b>	<b>-6,925</b>
Interest payable and similar charges	4,843	4,959
Amortisation of premiums and discounts	30	30
Interest and investment income	-3	-3
Pensions interest cost and expected return on pensions assets (note 7)	229	240
<b>SURPLUS (-) OR DEFICIT FOR THE YEAR ON HRA SERVICES</b>	<b>460</b>	<b>-1,699</b>

Explanatory notes to the Housing Revenue Account are on pages 76 - 79

## STATEMENT OF MOVEMENT IN THE HOUSING REVENUE ACCOUNT BALANCE

	2018/19 £'000	2019/20 £'000
Surplus (-) or deficit for the year on the HRA income and expenditure account	460	-1,699
Adjustments between the accounting basis and the funding basis required under regulations (see analysis below)	-398	1,672
Net increase (-) or decrease before transfers to/from reserves	62	-27
Transfer to or from (-) HIP reserve	-61	24
Increase (-) or decrease in Housing Revenue Account Balance for the Year	1	-3
Balance on Housing Revenue Account brought forward	498	497
<b>Balance on Housing Revenue Account carried forward</b>	<b>497</b>	<b>500</b>

### Adjustments between the accounting basis and the funding basis required under regulations

	2018/19 £'000	2019/20 £'000
<b>Items included in the HRA Income and Expenditure Account but excluded from the movement on HRA Balance for the year</b>		
Difference between any other item of income and expenditure determined in accordance with the Code and determined in accordance with statutory HRA requirements	0	0
Capital grants with no outstanding conditions	0	2,120
Adjustments made for accumulated absences	22	-3
Gain or loss on sale of HRA fixed assets	0	0
Net charges made for retirement benefits in accordance with IAS19	-420	-445
	<u>-398</u>	<u>1,672</u>

The Housing Revenue Account (HRA) Income and Expenditure Account on page 74 shows the Council's activities during the financial year in line with International Financial Reporting Standards. Certain items are required by statute to either be included or excluded from the Income and Expenditure Account activity before it is charged to the Housing Revenue Account balance. These items are shown in the Statement of Movement in the Housing Revenue Account balance above.

## HOUSING REVENUE ACCOUNT EXPLANATORY NOTES

### 1. HOUSING STOCK

The Council was responsible for the management of 3,331 dwellings (including Shared Ownership properties) at 31 March 2020, as compared with 3,336 at 31 March 2019, made up of:

	2019	2020
Houses	1,656	1,660
Flats (including maisonettes)	1,429	1,420
Bungalows	251	251
<b>TOTAL</b>	<b>3,336</b>	<b>3,331</b>

### 2. STOCK VALUES

	Value @ 31.3.19 £'000	Movement £'000	Value @ 31.3.20 £'000
<u>Operational Assets</u>			
Housing Property	292,710	-8,509	284,201
Leasehold Property	1,016	205	1,221
	293,726	-8,304	285,422
<u>Non Operational Assets</u>			
Development Land	6,900	-604	6,296
	6,900	-604	6,296
<b>TOTAL</b>	<b>300,626</b>	<b>-8,908</b>	<b>291,718</b>

The vacant possession value of dwellings within the authority's Housing Revenue Account (HRA) as at 1 April 2020 was £844,328,200 (£869,607,012 at 1 April 2019).

The difference between the vacant possession value and the balance sheet value of dwellings within the HRA shows the economic cost of providing council housing at less than open market rents.

Depreciation charged to the HRA in 2019/20:

	2018/19 £'000	2019/20 £'000
<u>Depreciation</u>		
Dwellings	3,812	3,772
<b>TOTAL</b>	<b>3,812</b>	<b>3,772</b>

### 3. CAPITAL EXPENDITURE

The total capital expenditure on property within the authority's HRA during 2019/20 was £10.5m (2018/19, £13.71m)

	2018/19	2019/20
<u>Capital Expenditure</u>	£'000	£'000
Houses	13,714	9,876
TOTAL	<u>13,714</u>	<u>9,876</u>

	2018/19	2019/20
<u>Source of Funding</u>	£'000	£'000
Major Repairs Reserve	3,986	3,767
Borrowing	6,547	3,095
HIP Reserve	1,829	30
Capital Receipts	1,352	864
Section 106	0	2,120
TOTAL	<u>13,714</u>	<u>9,876</u>

The total capital receipts from disposal of land, houses and other property within the authority's HRA during the year were as follows:

	2018/19	2019/20
	£'000	£'000
Houses	3,377	2,424

### 4. MAJOR REPAIRS RESERVE

Local Authorities are required to establish and maintain a Major Repairs Reserve. The main credit to the reserve is an amount equal to HRA depreciation.

The movement on the Major Repairs Reserve for the financial year 2019/20 was as follows:

	2018/19	2019/20
<u>Major Repairs Reserve</u>	£'000	£'000
Balance @ 1 April	174	0
Expenditure financed from Major Repairs Reserve	-3,986	-3,767
Depreciation transferred from Capital Adjustment Account	3,812	3,772
Balance @ 31 March	<u>0</u>	<u>5</u>

Expenditure from the Reserve is used solely to improve the Council's Housing Stock.

## 5. RENT ARREARS

Rent arrears at 31 March were as follows:-

	<u>2019</u>	<u>2020</u>
	£	£
Current Tenants	368,860	716,133
Former Tenants	254,698	357,944
TOTAL	<u>623,558</u>	<u>1,074,077</u>
Arrears as a % of Gross Rent Income	3.36%	5.72%

A provision of £492,969 has been made in respect of uncollectable debts (£317,889 in 2018/19).

## 6. PENSIONS

Woking recognise the cost of retirement benefits in the Net Cost of Services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge that is required to be made against Rents is based on the cash payable in the year, so the real cost of retirement benefits is reversed out in the Statement of Movement in the HRA balance.

The transactions set out below have been made in the specified sections of the HRA during the year:

	2018/19	2019/20
	£'000	£'000
Net Cost of Services:		
▪ Service cost	572	726
▪ Past service costs (including curtailments)	104	10
	<u>676</u>	<u>736</u>
Net Operating Expenditure:		
▪ Interest cost	596	597
▪ Expected return on assets in the scheme	-367	-357
	<u>229</u>	<u>240</u>
Net liability on HRA I&E	-905	-976
▪ Employers' contributions payable to scheme	442	488
▪ Contribution in respect of unfunded benefits	44	43
▪ Movement on pensions reserve	-419	-445
	<u>486</u>	<u>531</u>
TOTAL	<u>486</u>	<u>531</u>
<u>Actual amounts charged against rents for pensions in the year</u>		
Employers' contributions payable to scheme	442	488
Contributions in respect of unfunded benefits	44	43
TOTAL	<u>486</u>	<u>531</u>

The employers' contribution payable to the scheme is shown within Supervision and Management. The adjustment of £205,000 represents the difference between the cash contributions payable to the scheme (£531,000) and service costs (£736,000).

**COLLECTION FUND  
INCOME AND EXPENDITURE STATEMENT**

2018/19				2019/20		
Council Tax	Business Rates	Total		Council Tax	Business Rates	Total
£'000	£'000	£'000		£'000	£'000	£'000
77,809	0	77,809	<b>INCOME</b>	81,500	0	81,500
0	47,938	47,938	Council Tax Receivable (Note 1)	0	47,277	47,277
<b>77,809</b>	<b>47,938</b>	<b>125,747</b>	<b>TOTAL INCOME</b>	<b>81,500</b>	<b>47,277</b>	<b>128,777</b>
			<b>EXPENDITURE</b>			
			<u>Apportionment of Previous Year Surplus/(deficit)</u>			
0	-4,258	-4,258	Central Government	0	-12	-12
137	-3,407	-3,270	Woking Borough Council	99	1,885	1,984
793	-852	-59	Surrey County Council	588	4,420	5,008
134	0	134	Surrey Police and Crime Commissioner	99	0	99
1,064	-8,517	-7,453		786	6,293	7,079
			<u>Precepts, Demands and Shares</u>			
0	0	0	Central Government	0	22,806	22,806
9,716	13,978	23,694	Woking Borough Council	10,035	18,245	28,280
57,905	32,616	90,521	Surrey County Council	60,063	4,561	64,624
9,706	0	9,706	Surrey Police and Crime Commissioner	10,768	0	10,768
77,327	46,594	123,921		80,866	45,612	126,478
			<u>Charges to Collection Fund</u>			
176	169	345	Write Offs / Write Backs (-) of uncollectable amounts	33	644	677
68	225	293	Increase / Decrease (-) in Bad Debt Provision	238	419	657
0	-5,976	-5,976	Increase / Decrease (-) in Provision for Appeals	0	3,005	3,005
0	135	135	Cost of Collection	0	132	132
244	-5,447	-5,203		271	4,200	4,471
<b>78,635</b>	<b>32,630</b>	<b>111,265</b>	<b>TOTAL EXPENDITURE</b>	<b>81,923</b>	<b>56,105</b>	<b>138,028</b>
-826	15,308	14,482	SURPLUS / DEFICIT (-) ARISING DURING THE YEAR	-423	-8,828	-9,251
1,849	-8,543	-6,694	SURPLUS / DEFICIT (-) B/FWD AT 1ST APRIL	1,023	6,765	7,788
<b>1,023</b>	<b>6,765</b>	<b>7,788</b>	<b>SURPLUS / DEFICIT (-) C/FWD AT 31ST MARCH</b>	<b>600</b>	<b>-2,063</b>	<b>-1,463</b>

Explanatory notes to the Collection Fund are on pages 81 - 82

## COLLECTION FUND EXPLANATORY NOTES

The Collection Fund is a fund managed by the billing authority (Woking Borough Council) to receive Council Tax and Business Rates income. It is also used to pay a share of Council Tax collected to the Borough Council, County Council and Police and Crime Commissioner, and to make payments of Business Rates collected to the Borough Council, County Council and Central Government.

### 1. YIELD FROM COUNCIL TAX

In order to calculate the total yield from Council Tax in a year it is necessary to convert the number of dwellings in each band to an equivalent number of Band D dwellings. For 2019/20 the following calculation was made:

Band	Number of Chargeable Dwellings	Ratio (Ninths)	Equivalent Number of Band D Dwellings	Estimated Yield at Band D Tax £'000
Band A	265.50	6	177.00	345.95
Band B	2,877.00	7	2,237.67	4,373.59
Band C	9,484.25	8	8,430.44	16,477.55
Band D	11,282.50	9	11,282.50	22,051.98
Band E	5,706.75	11	6,974.92	13,632.69
Band F	3,903.50	13	5,638.39	11,020.40
Band G	4,828.75	15	8,047.92	15,729.90
Band H	711.00	18	1,422.00	2,779.34
			44,210.84	86,411.40
Less allowance for losses on collection, appeals and Council Tax Support			-2,887.84	-5,644.37
Council Tax Base and Expected yield			41,323.00	80,767.03

The actual yield for the year was £81,466,800; the difference of £700,000 between the actual and the predicted yield can be attributed to variances in the collection rate, discounts and support allowed and changes in property numbers in each Band between the date of estimated yield and the year end.

The Council tax yield of £81.467m is reflected in the Income and Expenditure Account as follows:

	2018/19	2019/20
	£'000	£'000
Council tax income	77,809	81,500
Less write offs	-176	-33
Yield	77,633	81,467

### 2. CALCULATION OF TAX BASE

The Council Tax tax base is the estimated full year equivalent number of liable dwellings in the area expressed as an equivalent number of Band D dwellings with 2 or more adults. For 2019/20 the Band D equivalent was 44,210.83. This figure was then adjusted for assumed changes during the year for discounts; the outcome of remaining banding appeals; the collection rate and the impact of the Council Tax Support scheme. The affect of applying these assumptions was a tax base of 41,323.00 for the whole of the Borough.



### 3. INCOME FROM BUSINESS RATES

The Council collects non-domestic rates for its area which are based on local rateable values multiplied by a uniform rate (the multiplier) set by the Government.

The total non-domestic rateable value at 9 January 2019 was £115.0 million and the multipliers for the year were:

Non-domestic rating multiplier	0.504	pence
Small business non-domestic rating multiplier	0.491	pence

From 1st April 2013 Business Rates Retention was introduced whereby local authorities retain 50% of the business rates collected for the area (Woking Borough Council (40%); Surrey County Council (10%)) and pay the remaining 50% to central government. In addition the government set a level of business rates funding deemed to be applicable to each area and every Council receives a top-up if business rates collected are below this level, or pays a tariff if business rates collected are above this level. In 2018/19 Woking was part of a Surrey-wide pilot scheme where business rates collected were split between districts (30%) and Surrey County Council (70%) with the tariff payment being paid to the pilot lead authority, Surrey County Council, (to offset against the business rates collected). In 2019-20, Woking Borough Council was not part of a pilot scheme paid a tariff of £16,153,583 to the government (£11,330,431 was paid to the pilot lead in 2018/19). This tariff is contained within the non domestic rates income and expenditure line in the Comprehensive Income and Expenditure Statement.

With the introduction of business rates retention, if a local authority increases its business rates base and thereby increases its business rate income it is allowed to retain a proportion of this increased income, whilst paying up to a maximum of 50% across to central government. This payment where it occurs is known as a levy payment. The Government stated that no local authority will suffer a reduction in business rate income of more than 7.5% of its Business Rates funding baseline. If business rates income falls below this 7.5% level then the Government will make a safety net payment.

A levy of £102,044 is due in respect of 2019/20 (no safety net or levy payment of was made in the business rates pilot scheme in operation in 2018/19). The levy for 2019/20 is contained within the non domestic rates income and expenditure line in the comprehensive income and expenditure statement. This line also contains £1,885,496 which is the Council's share of prior year surpluses (£3,406,846 was included here in 2018-19 in respect of prior year deficits, the remainder of which will be settled to the account in future years).

#### 4. DISTRIBUTION OF THE COLLECTION FUND BALANCE

The Collection Fund Balance at 31 March 2020 was -£1,462,261 (£7,788,026 at 31 March 2019). The Council Tax element of this is payable to Woking Borough Council, Surrey County Council and Surrey Police and Crime Commissioner in proportion to their precepts on the Fund. In 2019/20, the Business Rates Surplus/Deficit is split based on nationally determined percentages between between Central Government (50%), Woking Borough Council (40%) and Surrey County Council (10%). The Business Rates Surplus in respect of 2018/19 (when the Council was part of the Surrey Business Rates pilot scheme was split Woking Borough Council (30%) and Surrey County Council (70%)).

	2018/19 Surplus/ Deficit (-) £	2019/20 Surplus/ Deficit (-) £	Total @ 31 March 2020 £
<u>Council Tax</u>			
Woking Borough Council	29,508	44,014	73,522
Surrey County Council	176,608	270,238	446,846
Surrey Police and Crime Commissioner	31,661	48,376	80,037
	<u>237,777</u>	<u>362,628</u>	<u>600,405</u>
<u>Business Rates</u>			
Central Government			-1,267,759
Woking Borough Council			-872,351
Surrey County Council			77,444
			<u>-2,062,666</u>
Collection Fund Balance			<u><u>-1,462,261</u></u>

## PENSIONS EXPLANATORY NOTES

As part of the terms and conditions of employment of its officers and other employees, the authority makes contributions towards the cost of post-employment benefits. Although these benefits will not actually be payable until employees retire, the authority has a commitment to make the payments (for those benefits) and to disclose them at the time that employees earn their future entitlement.

The authority participates in the Local Government Pension Scheme, administered by Surrey County Council. This is a funded defined benefit final salary scheme, meaning that the authority and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets. Woking recognise the cost of retirement benefits in the Net Cost of Services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge that is required to be made against Council Tax is based on the cash payable in the year, so the real cost of retirement benefits is reversed out of the General Fund balance after calculating the surplus/deficit on the Comprehensive Income and Expenditure Statement in the year.

Further information on Pensions is set out in the Statement of Accounting Policies note 12, on page 25 of these accounts.

### Changes in the Fair Value of Plan Assets, Defined Benefit Obligation and Net Liability for year end 31 March 2020

Period ended 31 March 2020	Assets	Obli- gations	Net (liability) / asset
	£'000	£'000	£'000
Fair value of plan assets	106,482	0	106,482
Present value of funded liabilities	0	171,978	-171,978
Present value of unfunded liabilities	0	5,251	-5,251
Opening position as at 31 March 2019	<u>106,482</u>	<u>177,229</u>	<u>-70,747</u>
 <u>Service Cost</u>			
Current service cost*	0	5,187	-5,187
Past service cost (including curtailments)	0	71	-71
Total Service Cost	<u>0</u>	<u>5,258</u>	<u>-5,258</u>

### Net interest

Interest income on plan assets	2,547	0	2,547
Interest cost on defined benefit obligation	0	4,266	-4,266
Total net interest	<u>2,547</u>	<u>4,266</u>	<u>-1,719</u>
Total defined benefit cost recognised in Profit or (Loss)	<u>2,547</u>	<u>9,524</u>	<u>-6,977</u>

### Cashflows

Participants' contributions	827	827	0
Employer contributions	3,486	0	3,486
Estimated benefits paid	-5,457	-5,457	0
Estimated unfunded benefits paid	-308	-308	0
Estimated contributions in respect of unfunded benefits paid	308	0	308
Expected closing position	<u>107,885</u>	<u>181,815</u>	<u>-73,930</u>

### Remeasurements

Changes in financial assumptions	0	-12,373	12,373
Changes in demographic assumptions	0	-3,989	3,989
Other experience	0	-1,602	1,602
Return on assets excluding amounts included in net interest	-12,239	0	-12,239
Total remeasurements recognised in Other Comprehensive Income	<u>-12,239</u>	<u>-17,964</u>	<u>5,725</u>

Fair value of plan assets	95,646	0	95,646
Present value of funded liabilities	0	159,254	-159,254
Present value of unfunded liabilities**	0	4,597	-4,597
Closing position as at 31 March 2020	<u>95,646</u>	<u>163,851</u>	<u>-68,205</u>

Please note the Employer's fair value of plan assets is approximately 3% of the Fund's total.

It is estimated that the present value of funded liabilities comprises of approximately £52,142,000, £29,915,000 and £77,197,000 in respect of employee members, deferred pensioners and pensioners respectively as at 31 March 2020.

\* The current service cost includes an allowance for administration expenses of 0.3% of payroll.

\*\*The unfunded liabilities comprise of £4,497,000 in respect of LPGS unfunded pensions.

Changes in the Fair Value of Plan Assets, Defined Benefit Obligation and Net Liability for year end 31 March 2019

Period ended 31 March 2019	Assets £'000	Obliga- tions £'000	Net (liability) / asset £'000
Fair Value of plan assets	101,545	0	101,545
Present value of liabilities	0	163,738	-163,738
Opening position as at 31 March 2018	<u>101,545</u>	<u>163,738</u>	<u>-62,193</u>
<u>Service Cost</u>			
Current service cost*	0	4,089	-4,089
Past service cost (including curtailments)	0	742	-742
Total Service Cost	<u>0</u>	<u>4,831</u>	<u>-4,831</u>
<u>Net interest</u>			
Interest income on plan assets	2,624	0	2,624
Interest cost on defined benefit obligation	0	4,258	-4,258
Total net interest	<u>2,624</u>	<u>4,258</u>	<u>-1,634</u>
Total defined benefit cost recognised in Profit or (Loss)	<u>2,624</u>	<u>9,089</u>	<u>-6,465</u>
<u>Cashflows</u>			
Participants' contributions	719	719	0
Employer contributions	3,156	0	3,156
Estimated benefits paid	-4,949	-4,949	0
Estimated contributions in respect of unfunded benefits paid	313	0	313
Expected closing position	<u>103,095</u>	<u>168,284</u>	<u>-65,189</u>
<u>Remeasurements</u>			
Changes in financial assumptions	0	8,811	-8,811
Other experience	0	134	-134
Return on assets excluding amounts included in net interest	3,387	0	3,387
Total remeasurements recognised in Other Comprehensive Income	<u>3,387</u>	<u>8,945</u>	<u>-5,558</u>
Fair value of plan assets	106,482	0	106,482
Present value of funded liabilities	0	171,978	-171,978
Present value of unfunded liabilities	0	5,251	-5,251
Closing position as at 31 March 2019	<u>106,482</u>	<u>177,229</u>	<u>-70,747</u>

\* The current service cost allows an allowance for administration expenses of 0.3% of payroll.

## Fair value of plan assets

The below asset values are at bid value as required under IAS19.

### Assets

Asset category	Period Ended 31 March 2019				Period Ended 31 March 2020			
	Quoted prices in active markets	Quoted prices not in active markets	Total	Percentage of Total Assets	Quoted prices in active markets	Quoted prices not in active markets	Total	Percentage of Total Assets
	£'000	£'000	£'000	%	£'000	£'000	£'000	%
Equity Securities:								
Consumer	2,883.4	-	2,883.4	3%	2,729.2	-	2,729.2	3%
Manufacturing	1,850.2	-	1,850.2	2%	2,037.1	-	2,037.1	2%
Energy and Utilities	1,640.9	-	1,640.9	2%	740.3	-	740.3	1%
Financial Institutions	1,651.8	-	1,651.8	2%	1,610.7	-	1,610.7	2%
Health and Care	1,410.8	-	1,410.8	1%	1,647.2	-	1,647.2	2%
Information								
Technology	3,152.7	-	3,152.7	3%	3,121.9	-	3,121.9	3%
Other	281.1	-	281.1	0%	54.3	-	54.3	0%
Debt Securities:								
UK Government	-	-	0.0	0%	-	5,408	5,408.1	6%
Other	-	-	0.0	0%	-	-	0.0	0%
Private Equity:				0%				
All	-	6,311.7	6,311.7	6%	-	7,652.2	7,652.2	8%
Real Estate:				0%				
UK Property	1,923.0	3,127.5	5,050.5	5%	1,655.5	3,131.6	4,787.1	5%
Overseas								
Property	-	1,847.5	1,847.5	2%	-	2,101.6	2,101.6	2%
Invest Funds and Unit Trusts:				0%				
Equities	51,041.9	7,325	58,367.2	55%	50,328.2	0.0	50,328.2	53%
Bonds	12,763.3	5,024	17,786.8	17%	11,132.4	0.0	11,132.4	12%
Hedge Funds	-	-	0.0	0%	-	-	0.0	0%
Commodities	-	-	0.0	0%	-	-	0.0	0%
Infrastructure	-	-	0.0	0%	-	-	0.0	0%
Other	-	-	0.0	0%	-	-	0.0	0%
Derivatives:				0%				
Inflation	-	-	0.0	0%	-	-	0.0	0%
Interest Rate	-	-	0.0	0%	-	-	0.0	0%
Foreign								
Exchange	621.4	-	621.4	1%	-961.3	-	-961.3	-1%
Other	-	-	0.0	0%	-	-	0.0	0%
Cash and Cash Equivalents:				0%				
All	3,626.0	-	3,626.0	3%	3,257.0	-	3,257.0	3%
Totals	82,847	23,636	106,482	100%	77,352.5	18,293.5	95,646	100%

### Investment returns

The return on the Fund in market value terms for the period to 31 March 2020 is based on actual Fund returns as provided by Surrey County Council. Details are given below:

Actual Returns from 1 April 2019 to 31 March 2020 (6.0% in 2018/19)	-10.7%
Total Returns from 1 April 2019 to 31 March 2020 (6.0% in 2018/19)	-10.7%

The liabilities show the underlying commitments that the authority has in the long-run to pay retirement benefits. The total liability of £68,205,000 has a substantial impact on the net worth of the authority as recorded in the balance sheet.

However, statutory arrangements for funding the deficit mean that the financial position of the authority remains healthy: the deficit on the local government scheme will be made good by increased contributions over the remaining working life of employees, as assessed by the scheme actuary.

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. The County Council Fund liabilities have been assessed by Hymans Robertson.

The projected unit method is a valuation method in which the scheme liabilities make allowance for projected earnings. An accrued benefits valuation method is a valuation method in which the scheme liabilities at the valuation date relate to:

- (a) the benefits for pensioners and deferred pensioners and their dependants, allowing where appropriate for future increases, and
- (b) the accrued benefits for members in service on the valuation date.

The main assumptions used in their calculations have been:

<u>Financial Assumptions</u>	31 March 2019 % p.a.	31 March 2020 % p.a.
Pension Increase Rate (CPI)	2.50%	1.90%
Salary Increase Rate	2.80%	2.80%
Discount Rate	2.40%	2.30%

### Mortality

The post-retirement mortality assumptions are in line with the pension fund advisors (Club Vita) analysis which was carried out for the formal funding valuation as at 31 March 2013. These are a bespoke set of VitaCurves that are specifically tailored to fit the membership profile of the Fund and are based on the data provided for the last formal valuation. Improvements have been applied that are in line with Vita Curves, CMI 2013 model assuming the current rate of improvements has peaked and will converge to a long term rate of 1.25% p.a.

	Males	Females
Current Pensioners	22.1 years	24.3 years
Future Pensioners*	22.9 years	25.7 years

\* Figures assume members aged 45 as at the last formal valuation date.

### Historic mortality

Life expectancies for the prior period end are based on the Fund's VitaCurves. The allowance for future life expectancies are shown below:

Period Ended	Prospective Pensioners	Pensioners
31 March 2019	CMI 2013 model assuming the current rate of improvements has peaked and will converge to a long term rate of 1.25% p.a.	CMI 2013 model assuming the current rate of improvements has peaked and will converge to a long term rate of 1.25% p.a.

### Sensitivity Analysis

IAS19 requires the disclosure of the sensitivity of the results to the methods and assumptions used. The sensitivities regarding the principal assumptions used to measure the scheme liabilities are set out below:

Change in assumptions at year ended 31 March 2020	Approximate % increase to Defined Benefit Obligation	Approximate monetary amount
	%	£'000
0.5% decrease in Real Discount Rate	8%	13,649
0.5% increase in the Salary Increase Rate	1%	1,022
0.5% increase in the Pension Increase Rate (CPI)	8%	12,532

It has been estimated that a one year increase in life expectancy would approximately increase the Employer's Defined Benefit Obligation by around 3-5%.

### Asset and liability matching strategy

The Surrey County Council Pension Fund's Statement of Investment Principles sets out the Fund's investment strategy to meet the payment of pensions over the life of the Fund, i.e., to be at or above a 100% funding level. The funding level as at the 31 March 2019 valuation necessitates an investment strategy that is expected to provide long term investment returns in excess of the anticipated rise in liabilities. As such the Fund does not have an explicit asset and liability matching strategy but the consideration of liabilities is of principal importance for determining the investment strategy.

The Fund holds assets that are highly correlated with the movement in valuation of fund liabilities, including fixed rate and index-linked gilts, as well as absolute return investments that seek to generate positive returns regardless of market conditions.

Investment risk is monitored regularly both in absolute terms and relative to the Fund's liabilities, with regular scrutiny by the Surrey Pension Fund Board and its external advisors.

The actuary estimates contributions for the year to 31 March 2021 will be approximately £3,780,000.

Further information relating to pensions can be found in the Surrey County Council Pension Fund Annual Report which is available on request from Surrey County Council, PO Box 5, County Hall, Kingston-upon-Thames KT1 2EA.



# **GROUP ACCOUNTS**

## GROUP COMPANY AND JOINT VENTURE INFORMATION

Company Name	Company Number	Shareholding	Directors @ 31 Dec 2019	Net Assets / Liabilities (-) @ 31 Dec 2019	Profit / Loss (-) 2019	In Year Activity 2018	Purpose
<b>Thamesway Group</b>							
Thamesway Limited (TL)	03702545	The Council is the sole shareholder	B M Maunders Price W Prescott A Azad D Harlow C S Kemp Mrs L K H Strogitharm P J Grimshare	£18,494,882	-£4,244,048	-	To further the Council's energy and environmental objectives, it's affordable housing objectives, property development and investment.
Thamesway Energy Limited (TEL)	03772150	All shares are held by Thamesway Limited	W Prescott Dr B M Maunders Cllr A Azad G C Framalocco Cllr C S Kemp G D Mcmanus	£36,094	-£443,222	-	To build, finance and operate combined heat and power plant and photovoltaic plant for the production and supply of electricity, heat and chilled water.
Thamesway Central Milton Keynes Limited (TCMK)	05277300	Wholly owned subsidiary of TEL. TEL's investment in TCMK is £1,110,000.	D J Spinks W Prescott DR B M Maunders P N Bryant Cllr A Azad	-£19,101,509	-£1,786,933	-	The company is established to build, finance and operate combined heat and power plant for the production and supply of electricity, heat and chilled water.
Thamesway Housing Limited (THL)	05437166	Wholly owned subsidiary of Thamesway Limited	T Price Cllr C S Kemp B M Maunders Cllr A Azad Cllr D Halow Mrs. L K H Strongitharm MS J A Mcintosh	£36,368,440	-£1,004,298	-	Formerly Woking Borough Homes Limited, established to provide affordable housing.
Thamesway Guest House Limited (TGHL)	08641958	Owned by Thamesway Housing Limited	Cllr D J Bittleston T Price P N Bryant Cllr A Azad Cllr D Harlow Cllr C S Kemp Dr B M Maunders Mrs. L K H Strongitharm	£616,860	£121,350	-	The management and operation of guest houses in the borough of Woking.
Thamesway Sustainable Communities Limited (TSCL)	03835131	Wholly owned subsidiary of Thamesway Limited	D J Spinks Dr B M Maunders P N Bryant Cllr A Azad	£306,703	£1,853	-	Formerly Energy Centre for Sustainable Communities (ECSC). Established to engage in trading operations to promote energy efficiency activities, notably in the renewable field.
Thamesway Developments Limited (TDL)	06646380	Wholly owned subsidiary of Thamesway Limited	T Price Mrs L K H Strongitharm Cllr A Azad Cllr C S Kemp MS J A Mcintosh	£789,295	-£1,079,834	-	The company is established to engage in property development.
Thamesway Solar Limited (TSL)	07679222	Wholly owned subsidiary of Thamesway Limited	Dr B M Maunders D J Spinks P N Bryant A Azad	£1,178,319	-£1,144	-	Established to own, operate and install solar photovoltaic panels.
Thamesway Maintenance Services Limited (TMSL)	05637552	Wholly owned subsidiary of Thamesway Limited	R N Morgan R J Kingsbury resigned 7/5/2018 B M Maunders PN Bryant A Azad	£685,603	£77,216	-	The company is established for the installation, commissioning, servicing, maintaining and operating total energy systems.
Energy Centre for Sustainable Communities Limited (ECSCCL)	08186153	Wholly owned subsidiary of Thamesway Limited	P N Bryant D J Spinks B M Maunders	£1	NIL	-	Established to engage in trading operations to promote energy efficiency activities, notably in the renewable field.

**GROUP COMPANY AND JOINT VENTURE INFORMATION**

Company Name	Company Number	Shareholding	Directors @ 31 Dec 2019	Net Assets / Liabilities (-) @ 31 Dec 2019	Profit / Loss (-) 2019	In Year Activity 2018	Purpose
Rutland Woking Limited (R(W)L)	03025673	Owned by Thamesway Developments Limited (50%) and Rutland Properties Limited (50%)	J A C McAllister R N Morgan M L Riggs Cllr D J Bittleston P N Bryant	£232,732		-	The company is established to engage in property development.
Rutland Woking (Carhouse Lane) Limited (RW(CL)L)	07621357	Owned by Thamesway Developments Ltd (50%) and Rutland Properties Ltd (50%)	J A C McAllister R N Morgan M L Riggs D J Bittleston PN Bryant	£317,061		-	The company is established to engage in property development. In the current year the entity has ceased to trade.
Rutland Woking (Residential) Limited (RW(R)L)	08809470	Owned by Thamesway Developments Ltd (50%) and Rutland Properties Ltd (50%)	J A C McAllister R N Morgan M L Riggs Cllr D J Bittleston P N Bryant	£1,116		-	The company is established to engage in property development.
<b>Other Subsidiaries</b>							
Woking Necropolis And Mausoleum Limited	09337764	Wholly owned subsidiary of Woking Borough Council	P N Bryant Cllr G Cundy Dr B M Maunders D J Spinks	£4,236,153	-£105,240	-	The holding and financing of Brookwood Park Limited in accordance with the ultimate shareholders (Woking Borough Council's) requirements.
Brookwood Park Limited	00034195	99.98% Owned by Woking Necropolis and Mausoleum Limited	P N Bryant Dr B M Maunders D J Spinks Cllr G Cundy	£1,941,261	-£79,755	-	The management and operation of Brookwood Cemetery.
Brookwood Cemetery Limited	306068	Owned by Brookwood Park Ltd	P N Bryant Dr B M Maunders D J Spinks Cllr G Cundy	£628,062	-£15,467	-	The holding of land for cemetery use.
Kingfield Community Sports Centre	03425394	Wholly owned subsidiary of Woking Borough Council	Mrs L Clarke P N Bryant	£1,777,699	£14,908	Acquired by the Council on 17 May 2019	The company owns and leases the land that sports facilities are located on.
<b>Associate Companies</b>							
Victoria Square Woking Ltd (formerly Bandstand Square Developments Ltd - change effective 12/4/2017)	8005542	Moyallen Holdings Ltd 52%, Woking Borough Council 48% VSWL owns 100% of VSW Hotel Ltd and Victoria Square Woking Residential Ltd (both not yet active)	J A Fisher R J Kingsbury P A H Robinson J T A Robinson R N Morgan D J Bittleston	-£11,472,087	-£2,655	-	Undertake redevelopment project on land to the west side of the existing Peacocks Centre and Wolsey Place Shopping Centre, and associated enabling projects.

Woking Borough Council also holds share capital in the following non group companies:-

Woking Shopping Limited (previously known as Woking Town Centre Management Ltd). Company number 07383419.  
Export House Limited. Company number 07788479.

Municipal Bonds Agency. Company number 09069106.  
SurreySave Credit Union. Company number IP000746.

	General Fund (GF) Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Profit and Loss Reserve	Total Usable Reserves	Unusable Reserves	Total Group Reserves
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
<b>Balance at 31 March 2018 carried forward</b>	<b>30,376</b>	<b>7,395</b>	<b>48,799</b>	<b>174</b>	<b>1,835</b>	<b>-3,647</b>	<b>84,932</b>	<b>157,081</b>	<b>242,013</b>

MOVEMENT IN RESERVES DURING 2018/19

Surplus or (Deficit) on Provision of Services (accounting basis)	-25,065	-460	0	0	0	-5,767	-31,292	-1	-31,293
Other Comprehensive Income and Expenditure	0	0	0	0	0	327	327	-8,290	-7,963
Total Comprehensive Income and Expenditure	-25,065	-460	0	0	0	-5,440	-30,965	-8,291	-39,256
Adjustments between group and authority accounts	0	0	0	0	0	0	0	1,511	1,511
Adjustments between accounting basis & funding basis under regulations	22,371	-1,432	4,484	-174	611	0	25,860	-25,853	7
Increase/Decrease before Transfers to Earmarked Reserves	-2,694	-1,892	4,484	-174	611	-5,440	-5,105	-32,633	-37,738
Transfers to/from Earmarked Reserves	-120	120	0	0	0	0	0	0	0
Increase/Decrease in Year	-2,814	-1,772	4,484	-174	611	-5,440	-5,105	-32,633	-37,738
<b>Balance at 31 March 2019 carried forward</b>	<b>27,562</b>	<b>5,623</b>	<b>53,283</b>	<b>0</b>	<b>2,446</b>	<b>-9,087</b>	<b>79,827</b>	<b>124,448</b>	<b>204,275</b>

MOVEMENT IN RESERVES DURING 2019/20

Surplus or (Deficit) on Provision of Services (accounting basis)	-15,328	1,699	0	0	0	-8,882	-22,511	0	-22,511
Other Comprehensive Income and Expenditure	0	0	0	0	0	327	327	1,877	2,204
Total Comprehensive Income and Expenditure	-15,328	1,699	0	0	0	-8,555	-22,184	1,877	-20,307
Adjustments between group and authority accounts	0	0	0	0	0	0	0	0	0
Adjustments between accounting basis & funding basis under regulations	18,321	-1,703	4,663	5	-773	0	20,513	-20,519	-6
Increase/Decrease before Transfers to Earmarked Reserves	2,993	-4	4,663	5	-773	-8,555	-1,671	-18,642	-20,313
Transfers to/from Earmarked Reserves	286	-286	0	0	0	0	0	0	0
Increase/Decrease in Year	3,279	-290	4,663	5	-773	-8,555	-1,671	-18,642	-20,313
<b>Balance at 31 March 2020 carried forward</b>	<b>30,841</b>	<b>5,333</b>	<b>57,946</b>	<b>5</b>	<b>1,673</b>	<b>-17,642</b>	<b>78,156</b>	<b>105,806</b>	<b>183,962</b>

## GROUP COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

2018/19				2019/20		
Expenditure £'000	Income £'000	Net Cost £'000		Expenditure £'000	Income £'000	Net Cost £'000
14,971	3,545	11,426	People	16,807	3,909	12,898
29,914	22,752	7,162	Place	40,184	27,226	12,958
37,399	29,994	7,405	Us	34,534	27,337	7,197
14,156	18,816	-4,660	Council Housing	15,722	21,093	-5,371
14,018	5,577	8,441	Investment Programme Projects	17,792	32,095	-14,303
<b>110,458</b>	<b>80,684</b>	<b>29,774</b>	<b>NET COST OF SERVICES</b>	<b>125,039</b>	<b>111,660</b>	<b>13,379</b>
		607	- Contribution to Housing Pooled Capital Receipts			490
		90	- (Gain)/Loss on the disposal of non current assets			0
		697	<b>Other Operating Expenditure</b>			490
		28,414	- Interest payable and similar charges			38,113
		4,258	- Pensions interest on obligation			4,266
		-2,624	- Expected return on pension assets			-2,547
		7	- Share of operating (profit)/loss in joint ventures/associates			3
		-5,137	- Investment interest income			-11,558
		-24,982	- Rentals received on investment properties			-29,364
		8,013	- Expenses incurred on investment properties			9,081
		14,224	- Changes in fair value of investment properties			19,767
		22,173	<b>Financing &amp; Investment Income &amp; Expenditure</b>			27,761
		-7,022	- Non-domestic rates income and expenditure			-2,155
		-4,482	- Non-ring fenced government grants			-4,288
		-9,745	- Council Tax Income			-10,079
		-21,249	<b>Taxation and Non-Specific Grant Income</b>			-16,522
		<b>31,395</b>	<b>(Surplus) or Deficit on Provision of Services</b>			<b>25,108</b>
		2,809	(Surplus) or deficit on revaluation of non current assets			3,771
		5,558	Actuarial (gains)/losses on pension assets/liabilities			-5,725
		-327	Tax on (gain)/loss on ordinary activities			-2,630
		8,040	<b>Other Comprehensive Income and Expenditure</b>			-4,584
		<b>39,435</b>	<b>Total Comprehensive Income and Expenditure</b>			<b>20,524</b>

**GROUP BALANCE SHEET**

	31st MARCH 2019	31st MARCH 2020	
	£'000	£'000	£'000
Property, Plant and Equipment (note 2)			
Council Dwellings	293,725	285,421	
Other Land and Buildings	156,968	171,612	
Vehicles, Plant, Furniture and Equipment	36,814	36,421	
Community Assets	15,100	15,105	
Assets Under Construction	139,544	187,868	
			696,427
Heritage Assets	918	918	
Investment Properties	506,312	576,340	
Intangible Assets:			
Software Licenses, Goodwill	339	600	
			577,858
Long-Term Investments			
Long-Term Investments	393		390
Long-Term Debtors	213,201		380,856
<b>TOTAL LONG TERM ASSETS</b>	<b>1,363,314</b>		<b>1,655,531</b>
Short term investments	10,005	0	
Inventories	16,748	5,674	
Short Term Debtors (note 3)	24,771	59,512	
Cash and Cash Equivalents	151,675	25,024	
<b>CURRENT ASSETS</b>	<b>203,199</b>		<b>90,210</b>
Short-Term Borrowing	-52,637	-86,953	
Short Term Creditors (note 4)	-39,211	-54,637	
Provision for accrued absences	-132	-155	
<b>CURRENT LIABILITIES</b>	<b>-91,980</b>		<b>-141,745</b>
Long Term Creditors	-221	-321	
Provisions	-6,093	-4,974	
Long-Term Borrowing	-1,151,596	-1,303,068	
Liabilities from PFI and Similar Contracts	-27,752	-26,761	
Liability related to defined benefit pension scheme	-70,747	-68,205	
Capital Grants Receipts in Advance	-13,849	-13,619	
<b>LONG TERM LIABILITIES</b>	<b>-1,270,258</b>		<b>-1,416,948</b>
<b>TOTAL ASSETS LESS LIABILITIES</b>	<b>204,275</b>		<b>187,048</b>

	31st MARCH 2019	31st MARCH 2020	
	£'000	£'000	£'000
General Fund	1,500		1,500
Earmarked Reserves - General Fund	26,062		29,343
Earmarked Reserves - HRA	5,126		4,834
Housing Revenue Account	497		500
Major Repairs Reserve	0		5
Capital Receipts Reserve	53,283		57,946
Capital Grants Unapplied	2,446		1,673
Profit and Loss Reserve	-9,087		-17,642
<b>Usable Reserves</b>	<b>79,827</b>		<b>78,159</b>
Revaluation Reserve	112,241		107,373
Pensions Reserve	-70,747		-68,205
Capital Adjustment Account	81,911		68,555
Deferred Capital Receipts	2		0
Financial Instruments Adjustment Account	-982		-963
Employee Benefits Reserve	-132		-155
Collection Fund Adjustment Account	2,155		-800
Share capital			433
Capital Redemption Reserve			986
Other Reserves			1,665
<b>GROUP BALANCES AND RESERVES</b>	<b>124,448</b>		<b>108,889</b>
Minority Interest	0		0
<b>TOTAL BALANCES AND RESERVES</b>	<b>204,275</b>		<b>187,048</b>

## GROUP CASH FLOW STATEMENT

	2018/19	2019/20	
	£'000	£'000	£'000
<b><u>Revenue Activities</u></b>			
Net surplus/deficit on the provision of services	-31,395	-23,524	
Adjust net surplus/deficit for non-cash movements	45,775	7,558	
Adjust for items that are investing and financing activities	0	31,315	
<b>Net cash flows from operating activities</b>	<b>14,380</b>		<b>15,349</b>
<b><u>Investing Activities</u></b>			
<b><u>Cash Outflows</u></b>			
Purchase of fixed assets and revenue expenditure funded from capital under statute	-211,918	-183,930	
Loans to subsidiaries and joint ventures	-96,063	-238,189	
Shareholdings in Companies	0	-500	
Movement in other long term debtors	-2,286	-30,357	
	-310,267		-452,976
<b><u>Cash Inflows</u></b>			
Sale of assets	3,716	3,190	
Capital grants received	8,029	30,928	
Movement in other long term debtors	0	0	
Other capital cash receipts	1,511	4,665	
	13,256		38,783
<b>Net cash flows from investing activities</b>	<b>-297,011</b>		<b>-414,193</b>
<b>Net cash flow before financing</b>	<b>-282,631</b>		<b>-398,844</b>
<b><u>Management of Liquid Resources</u></b>			
Net movement in short term deposits	-2,004	10,005	
	-2,004		10,005
<b><u>Financing</u></b>			
<b><u>Cash Outflows</u></b>			
Repayments of long term borrowing	-30,264	-11,020	
Repayments of short term borrowing	-103,404	-55,000	
Payment of PFI lease liability	-926	-991	
	-134,594		-67,011
<b><u>Cash Inflows</u></b>			
New long term loans raised	434,131	254,193	
New short term loans raised	88,000	75,000	
	522,131		329,193
<b>Net cash flows from financing activities</b>	<b>387,537</b>		<b>262,182</b>
	<b>385,533</b>		<b>272,187</b>
<b>Net increase/decrease in cash and cash equivalents</b>	<b>102,902</b>		<b>-126,657</b>
<b>Cash and cash equivalents at 1 April</b>	<b>48,773</b>		<b>151,681</b>
<b>Cash and cash equivalents at 31 March</b>	<b>151,675</b>		<b>25,024</b>



## STATEMENT OF GROUP ACCOUNTING POLICIES

### 1. GENERAL

These notes should be read in conjunction with the Accounting Policies used to prepare Woking Borough Council's accounts. Unless otherwise stated, the Group Accounting Statements have been prepared on the same basis.

### 2. FINANCIAL YEAR END

Woking Borough Council's accounts are based on a financial year ending on 31 March. The Council's subsidiary companies, Thameswey Limited, Woking Necropolis and Mausoleum Limited and Dukes Court, and their subsidiaries, prepare their accounts to 31 December each year. Victoria Square Woking Limited, which is accounted for as an associate of the Council, also prepares accounts to 31 December. For the purposes of preparing the group accounting statements, the accounts have been consolidated using differing accounting year ends, adjusted as necessary to reflect any material transactions taking place in the period from January to March. The different accounting year ends assist in the preparation of budgets and business plans together with the management of year end processes.

### 3. ACCOUNTING CONVENTION

The accounts of Thameswey Limited have been prepared in accordance with United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

The transition to FRS102 occurred during Thameswey's 2015 financial year.

### 4. FINANCIAL INSTRUMENTS

As detailed in the Woking Borough Council accounting policy 15, with effect from 1 April 2018 the Council's accounts have been prepared in accordance with the new accounting standards IFRS9 relating to financial instruments. This means that all financial instruments included from the Council accounts are valued on an amortised cost basis. Financial instruments arising from the Council's subsidiaries balances with external parties continue to be included in these group accounts at the lower of cost and net realisable value.

## GROUP COMPANY INFORMATION

A table showing a summary of information about the Council's group companies and joint ventures is shown on pages 93 to 94.

The principal place of business for all the group company activity is Woking, UK with the exception of Thameswey Central Milton Keynes, where the activity is in Milton Keynes, UK.

The overall impact of consolidation of the Group activities is to increase the Council's net assets by £x.

## **GROUP INCOME AND EXPENDITURE ACCOUNT EXPLANATORY NOTES**

### **1. GENERAL**

These notes should be read in conjunction with the explanatory notes to Woking Borough Council's Comprehensive Income and Expenditure Statement.

### **2. SUBSIDIARY COMPANIES**

The operating expenditure and income of Thamesway Limited has been included within 'Place', with the exception of income and expenditure relating to Thamesway Housing Limited which is disclosed within 'Us'.

The operating expenditure and income of the Brookwood Cemetery companies has been included within 'Place'.

The operating expenditure and income of Dukes Court Owner - T Sarl has been included within the Investment Property lines of the Comprehensive Income and Expenditure Statement as Dukes Court was liquidated in 19-20.

## GROUP BALANCE SHEET EXPLANATORY NOTES

### 1. GENERAL

These notes should be read in conjunction with the explanatory notes to Woking Borough Council's Balance Sheet.

### 2. FIXED ASSETS

	Council Dwellings	Other Land and Buildings	Vehicles and Plant	Community Assets	Investment Properties	Assets Under Construction	Intangible Assets	Heritage Assets	TOTAL
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Net Book Value @ 1.4.19	293,725	156,968	36,813	15,100	504,712	139,544	339	918	<b>1,148,119</b>
Additions (b)	7,073	5,970	2,402	5	98,637	73,142	262	0	<b>187,491</b>
Acc Depreciation & Impairment WO to GCA *	-3,772	-2,486	-3,257	0	-25	-8	19	0	<b>-9,529</b>
Revaluation increases/(decreases) recognised in the Revaluation Reserve (c) & (d)	-11,824	14,035	0	0	0	-5,982	0	0	<b>-3,771</b>
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services (c) & (d)	0	-766	0	0	-20,022	-10,502	0	0	<b>-31,290</b>
Derecognition - Disposals	-2,426	-360	-28	0	-100	-26	-141	0	<b>-3,081</b>
Other Movement In Costs Or Valuation	2,645	-1,749	491	0	-6,862	-8,300	121	0	<b>-13,654</b>
Net Book Value @ 31.3.20	<b>285,421</b>	<b>171,612</b>	<b>36,421</b>	<b>15,105</b>	<b>576,340</b>	<b>187,868</b>	<b>600</b>	<b>918</b>	<b>1,274,285</b>

### 3. DEBTORS

	31 March 2019 £'000	31 March 2020 £'000
Central Government Bodies	1,233	1,946
Local Tax Payers	1,014	1,382
Housing Rents, Rates & Water Charges	1,126	1,549
Rechargeable Works	135	139
Sundry Debtors	11,345	46,467
Prepayments	2,137	2,566
Accrued Interest on Long Term Debtors	2,492	2,500
LT Debtors repayments due within 1 year	7,929	6,747
Bad Debt Provision	-2,640	-3,784
	<b>24,771</b>	<b>59,512</b>

### 4. CREDITORS

	31 March 2019 £'000	31 March 2020 £'000
Central Government Bodies	527	5,222
Other Local Authorities	7,840	1,239
Local Tax Payers	801	901
Housing Rents	489	621
Rechargeable Works	82	82
Sundry Creditors	29,472	46,577
	<b>39,211</b>	<b>54,642</b>

## GLOSSARY

BALANCE SHEET	This sets out the financial position of the Council on 31 March and shows the value of all the Council's assets and liabilities
CAPITAL EXPENDITURE	Expenditure on assets that are expected to benefit the borough over a number of years
CAPITAL RECEIPTS	The proceeds from the sale of assets
CASH FLOW STATEMENT	This summarises the flow of cash arising from revenue and capital transactions with third parties
COLLECTION FUND	This sets out the total income from Council Tax payers and Non- Domestic Rate payers and how it is distributed to this Council, other authorities and the government on behalf of whom it is collected by the Council
COMPONENT	A significant part of an item of property, plant or equipment which is valued and depreciated separately
COMPREHENSIVE INCOME AND EXPENDITURE ACCOUNT	This shows the income and expenditure on all the Council's services
CREDITORS	Individuals and organisations to whom the Council owes money
DEBTORS	Individuals and organisations who owe money to the Council
EXPENDITURE AND FUNDING ANALYSIS (EFA)	This reconciles the Council's management accounts/outturn statement to the Surplus or Deficit on the Provision of Services
FINANCIAL YEAR	The period between 1 April of one year and 31 March of the following year
GROUP ACCOUNTS	These set out the accounting policies, income and expenditure, balance sheet, cash flow statement and statement of total movement in reserves for the Council consolidated with its subsidiary and associate companies

HOUSING INVESTMENT PROGRAMME (HIP)	Capital and Revenue projects and one-off expenditure relating to housing
HOUSING REVENUE ACCOUNT (HRA)	This shows the income and expenditure associated with Council Housing
INVESTMENT PROGRAMME	Capital and Revenue projects and one-off expenditure
MOVEMENT IN RESERVES STATEMENT (MIRS)	This shows a summary of changes that have taken place in the bottom half of the balance sheet over the financial year
REVENUE SUPPORT GRANT	The general grant paid by Central Government to Local Government
REVENUE EXPENDITURE	This is expenditure mainly on recurring items and consists principally of salaries and wages, materials and supplies and services
REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE	This is expenditure (previously known as deferred charges) which may properly be capitalised but which is not in respect the Council's own assets
PRECEPT	The amount that Surrey County Council and Surrey Police and Crime Commissioner require Woking Borough Council to collect from local taxpayers on their behalf
WORKING BALANCE	The sum retained within the accounts to meet day-to-day workings of the accounts (e.g. expenditure incurred in anticipation of income) and to meet possible requirements during the year that were not identified at budget preparation time

## **ANNUAL GOVERNANCE STATEMENT 2019/20**

### **1. Scope of Responsibility**

Woking Borough Council (The Authority) is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.

The Authority also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, the Authority is responsible for putting in place proper arrangements for the governance of its affairs and facilitating the effective exercise of its functions, which includes arrangements for the management of risk and the system of internal control.

The Authority has approved and adopted arrangements for corporate governance, which are consistent with the principles of the CIPFA/SOLACE Framework *Delivering Good Governance in Local Government*. The framework consists of 7 core principles each with sub principles. These are considered in more detail in section 3.

This statement explains how the Authority meets the requirements of Accounts and Audit (England) Regulations 2015, regulation 6(1)(a), which requires all relevant bodies to conduct a review at least once in a year of the effectiveness of its system of internal control and include a statement reporting on the review with any published Statement of Accounts. This Statement is prepared in accordance with proper practices in relation to accounts.

### **2. The purpose of the governance framework**

Governance comprises the arrangements put in place to ensure that the intended outcomes for stakeholders are defined and achieved. To deliver good governance in the public sector, governing bodies and individuals working for public sector entities must try to achieve their entity's objectives while acting in the public interest at all times.

The governance framework comprises the systems and processes, culture and values, by which the Authority is directed and controlled and its activities through which it accounts to, engages with and leads the community. It enables the Authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost effective services.

The quality of governance arrangements underpins the levels of trust in public services and is therefore fundamental to the Authority's relationship to customers and residents. Trust in public services is also influenced by the quality of services received and also by how open and honest an Authority is about its activities.

A framework for the implementation of good governance allows the Authority to be clear about its approach to discharging its responsibilities and to promote this internally, to officers and members and externally to partners, stakeholders and residents.

The arrangements required for gathering assurances for the preparation of the Annual Governance Statement provide an opportunity for the Authority to consider the robustness of the governance arrangements in place and to consider this as a corporate issue that affects all parts of the Authority. It also helps to highlight those areas where improvement is required which are contained in the improvement plan.

The governance framework has been in place at the Authority for the year ended 31 March 2020 and up to the date of approval of the annual report and statement of accounts.

The key elements of the systems and processes that comprise the Authority's governance arrangements are documented in a detailed supporting analysis. The Authority has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework.

The review of effectiveness is informed by the work of the Corporate Management Group and Senior Managers within the Authority who have responsibility for the development and maintenance of the governance environment, the Head of Internal Audit's Annual Report, and by comments made by the external auditors and other review agencies and inspectorates. The Corporate Management Group review the arrangements and provide an assurance that the Authority is operating within local and statutory frameworks. The group has approved this statement.

### **3. Covid-19**

The national lockdown as a result of the Coronavirus pandemic in March 2020 has required the Council to review the governance framework in particular in the context of remote working and virtual meetings.

During this period there has been a weekly virtual meeting of the political Group Leaders and the Corporate Management Group. This enabled the Groups to be updated on the response to the crisis and to be consulted on changes.

The government enacted the Coronavirus Act 2020 and issued two regulations relevant to the Council; one to cancel elections until May 2021 and the other to change meetings arrangements to enable virtual meetings.

In April 2020 an Addendum to the Constitution was agreed by the Group Leaders. This covered the arrangements for virtual meetings including:

- Papers for meetings published electronically;
- Speaking arrangements and time limits;
- Voting;
- Timescales for Questions to Council and Answers; and
- Public Speaking at Planning Committee

As a result of the cancellation of elections, all appointments remain in place for a further year, this applies to membership and roles of the Executive, Committees, Task Groups and Working Groups, as well as all appointments to external bodies. The Mayor and Deputy Mayor also remain in place for another year.

An informal Council meeting was held on 7 May using Zoom where the detail of these changes was reported.

The Borough Emergency Control Centre was set up on 23<sup>rd</sup> March 2020 to manage the Council's response to the pandemic. This ensured efficiency communications with members

of CMG and other colleagues in a fast moving environment. The Centre was operated by 2 separate officer teams providing resilience to the 24 hours a day 7 days a week coverage.

#### **4. The Governance Framework**

##### **Principle A – Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law**

There is a comprehensive staff handbook and Behaviour and Skills Framework setting out the Authority's expectations regarding behaviour and the procedures for non compliance. Staff are made aware, through induction and the performance management framework, of the Authority's expectations in terms of standards of behaviour and compliance with agreed policies and codes of conduct.

There is also a Members' Code of Conduct which sets out the standards of behaviour to be followed by Members. Both codes take into account 'The Seven Principles of Public Life' which are included in the Localism Act 2011. The principles are: selflessness, integrity, objectivity, accountability, openness, honesty and leadership.

The Authority is clear about its leadership responsibilities for services, whether provided directly, through partners or third parties. We work closely with partners and influence third parties to make sure they deliver to agreed levels of quality and are accountable for what they do.

We have a clear commitment to ensure services deliver an appropriate combination of quality, value and choice to the community.

There is a complaints procedure which provides for a response from the service manager and allows for the complainant to appeal. Complainants are advised of their right to refer the matter to the Local Government Ombudsman, Housing Ombudsman or Information Commissioner as appropriate. This is publicised in the offices and on our website.

Complaints submitted under the Members Code of Conduct are reported to the Standards and Audit Committee which also receives regular reports on complaints which have been referred to the Ombudsman. The Arrangements for dealing with complaints made by Members against other Members were reviewed during the year and a new protocol was agreed by Council in April 2019.

A report on complaints received by the Council is received by the Overview and Scrutiny Committee.

The Scheme of Delegation within the Constitution requires Members and Officers to ensure that all decisions are compliant with policies, procedures, laws and regulations. The key documents within the Governance and Policy Framework are maintained and regularly reviewed including the Constitution itself.

##### **Principle B – Ensuring openness and comprehensive stakeholder engagement**

The Council's Vision and Values have been developed with the three pillars of People Place and Us to provide clarity on the role and priorities of the Authority in relation to its residents and partners/stakeholders.



The Constitution clearly defines the purpose of community leadership, effective scrutiny, and public accountability in terms of roles and responsibilities and functions. The Authority is committed to openness and acting in the public interest.

Woking Joint Committee is a committee between Woking Borough Council and Surrey County Council and makes decisions on certain services, monitors the effectiveness of public services, partnerships and joint initiatives. Local people are encouraged to take part. Members represent the Authority working formally and informally with voluntary groups.

The Council is the ultimate decision-making body and the principal forum for political debate. The Council sets the Policies and Strategies for the Authority and appoints the Leader of the Council, who then determines the appointment of the Deputy Leader and the members of the Executive.

The Executive acts within the approved policy framework and budget and leads preparation of new policies and budget. Each member of the Executive has a portfolio of work for which they take responsibility. The Authority also has an Overview and Scrutiny Committee reviewing Executive decisions, Council Services and other services in the Borough that affect the community of Woking. The other responsibilities of the Authority are discharged through its non-executive committees and the Standards and Audit Committee.

Meetings are webcast and recordings are available afterwards to view through the website.

The Constitution provides for members of the public to ask questions of the Executive at the Executive meeting. Petitions may also be put to the Council with the Constitution setting out how these are considered depending on the number of signatures. Members of the public may also ask questions at the Joint Committee.

The Council undertakes public consultations on specific matters affecting the community.

In July 2019 the Council established the Governance Review Task Group. This group will be reviewing the governance and committee structure at the Council and whether it would be beneficial to change the existing governance structure.

### **Principle C – Defining outcomes in terms of sustainable economic, social and environmental benefits**

Historically the Authority's main priorities have been established and agreed. These continue to be priorities for the Authority in the current year:

1. Health and Wellbeing
2. Affordable Housing
3. The Environment
4. Economic Development

The Authority has developed a Vision – 'Towards Tomorrow Today' and a comprehensive set of values. The three pillars of People, Place and Us clarify the Authority's approach and the Service and Performance Plans reflect this structure.

The Council's Vision, Values and the Service and Performance Plans are available on the internet in the Annual Service and Performance Plan. Together these form the 'umbrella' under which the services, and individual plans sit.

The Core Strategy, adopted in October 2012, sets out the vision for Woking to 2027. The strategy has been communicated widely internally to local partners and to the wider community through interest groups. It is also available on our website.

The Authority's Climate Change Strategy, Woking 2050, balances our environmental aspirations with the Borough's needs for development and economic prosperity. The aim of the strategy is to coordinate a wide range of objectives which can be used by the Council and Woking's residents, businesses, community groups and others to reduce the Borough's impact on the environment.

The Authority has also prepared Natural Woking, a biodiversity and green infrastructure strategy for the area. This seeks positive outcomes for habitats and people, by enhancing provision and accessibility to green spaces; conserving appropriate existing biodiversity and habitats; and creating opportunities for species to return to the Borough.

The Economic Development Strategy was approved by Council in April 2017 and covers the period to 2022 while considering the vision to 2050. The Strategy's objectives are to encourage business development growth and inward investment in the Borough. Additionally, the Strategy supports the creation of jobs, stimulating the economy, as well as generating income for the Council (to support service provision).

New Capital and Investment Strategies were first approved by Council in February 2019, and updated in February 2020. Presented with the Treasury Management Strategy these provide further details on the overall approach to the capital programme including explaining the purpose of the Council investment.

Following the appointment of the new Director of Housing early in 2019/20, the Council's Housing Strategies are being reviewed and updated to reflect the direction and priorities for the future.

Collectively these key documents form the Council's Corporate Strategy and show how the Vision and Values translate into Council action through the detailed plans, budgets and Investment Programme. It is recognised that the links between these policies could be communicated more clearly and an overarching summary document will be prepared during 2020/21. The Council will then undertake a programme of communications with residents and stakeholders outlining the policy approach of the Council.

The Authority has a general approach to protect services seeking instead to achieve efficiencies and increase income generation where there are budget pressures. In the post-lockdown economic environment it will be necessary to revisit this strategy and explore operational efficiencies through automation and use of digital services.

The Performance Framework is owned by Members and officers. The content is communicated to a wide audience in order to ensure that these key priorities are understood and translated into operational outcomes, and it is available via the Authority's website.

#### **Principle D – Determining the interventions necessary to optimise the achievement of the intended outcomes**

A Medium Term Financial Strategy (MTFS) is prepared on at least an annual basis and updated as circumstances change. It is linked to the annual budget and service strategies. The MTFS was due to be updated in March 2020, however the Covid-19 crisis has delayed this and has caused significant financial uncertainty. An updated MTFS, clearly setting out

the financial challenges facing the Authority will be prepared in the autumn of 2020 based on the known information at that time. This will enable the identification of resource requirements to set the budget for 2021/22, continue the Authority's activities and secure a sustainable future.

Service planning is closely aligned to the budgeting process and identifies service developments and the associated financial impacts. Key performance indicators are set and monitored during the year.

The Authority is proactive in working together with partners and considering the most effective way for services to be provided within the community, whether that be by the Council direct or through third parties.

### **Principle E – Developing the entity's capacity, including the capability of its leadership and the individuals within it**

The Performance and Development Review process is fully embedded in the Authority with annual assessments completed by all officers. The process incorporates the Council's Behaviour and Skills framework and helps to determine the Learning and Development programme.

The Authority was reassessed by Investors in People during 2019/20. The Authority retained an accreditation at the 'Silver' level and also received the Health and Wellbeing Good Practice Award.

Following the recommendation of the 2015 Peer Review, a programme of management development has been introduced to support future leaders and succession planning. The programme has been extended to further staff during 2019/20.

There is a comprehensive training programme for Members. The Council's commitment to Member development was first comprehensively assessed by South East Employers in 2008. Since then Woking has successfully maintained Charter status for Elected Member Development, achieving reaccreditation every three years. The Council was assessed for reaccreditation in 2018 and was again awarded the Charter.

The Council reviews its programme for Member Development annually and has developed a comprehensive learning and Development Framework together with the Roles and Responsibilities of Elected Members. A programme of Mandatory Member training was introduced in May 2018.

### **Principle F – Managing risks and performance through robust internal control and strong public financial management**

The system of internal control is a part of the governance framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Authority's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

Formal Risk Management arrangements provide for risk identification, analysis, ownership and mitigating actions. An annual risk report is provided to the Executive. The Corporate Management Group review the Strategic Risk Register. Committee reports identify and

quantify risks associated with a proposal. The system of internal financial control is based upon a framework of comprehensive financial regulations and procedures (within the Constitution), which comply with the CIPFA “Good Practice Guide for Financial Regulations in a modern English Council”. Control is maintained through regular management information, management supervision, and a structure of delegation and accountability. The Council has an anti-fraud and corruption policy and whistle blowing policy which are updated and promoted internally regularly.

### **Principle G – Implementing good practices in transparency, reporting, and audit to deliver effective accountability**

The Authority annually reviews the effectiveness of its governance framework including the system of internal control. The review is informed by the managers who have responsibility for the development and maintenance of the governance processes, Internal Audit reviews and by comments made by the external auditor and other review agencies and inspectorates.

The Council has been working to address the recommendations of the Local Government Association (LGA) Corporate Peer Review in 2015. In November 2019 the Council invited the LGA to undertake another Peer Challenge to assess progress. The LGA made a series of recommendations and the Council’s proposals to address these have been considered by the Overview and Scrutiny Committee and the Executive in July 2020.

The Council’s Internal Audit Service carries out a programme of independent reviews. Their work is based around the core risks faced by the Council and includes work on financial and non-financial systems, corporate programmes and partnerships. This includes adherence to established policies, procedures, laws and regulations.

These findings are brought together within this Annual Governance Statement and are reported annually to the Standards and Audit Committee which undertakes the functions of an audit committee, as identified in CIPFA’s *Audit Committee – Practical Guidance for Local Authorities* and has responsibility for receipt of the Annual Governance Statement.

The Overview and Scrutiny function provides the scope to focus on issues that have the widest impact on the community and not just services directly provided by the Authority.

Monthly performance and financial monitoring information is published, including details on treasury management and group company activities.

Accessible data is available online, where detailed information is published in accordance with transparency requirements.

### **5. Roles and Responsibilities**

The Authority has approved a Constitution which defines and documents the roles and responsibilities of the Authority, Executive, Overview and Scrutiny and officer functions, with clear delegation arrangements and protocols for decision making and communication and codes of conduct defining the standards of behaviour for Members and staff. Delegations are recorded in accordance with the relevant Regulations.

The Thameswey Group of companies has been established by the Authority to assist in the delivery of the Council's strategic objectives with a view to securing benefits for the residents of the Borough. The Council, and the Boards of the Thameswey group of companies, have approved a set of protocols designed to make the activities of the companies open and transparent in the context of the commercial environment in which the companies operate.

During 2020 it is proposed that the Council will adopt a Standards Protocol which would enable all Members to receive detailed monthly information produced by the Thamesway Group.

The Group Business Plans are approved by the Council annually. Group Company information is included in the monthly performance and financial monitoring information (Green Book).

The senior management of the Authority is structured to provide clear responsibility and accountability at both strategic (Corporate Management Group, CMG) and operational (Senior Manager) levels. The structure reflects the Authority's values and approach with management and services grouped by 'People', 'Place' and 'Us'.

The CMG during 2019/20 comprised the Chief Executive, Deputy Chief Executive, Director of Housing, Finance Director (nominated in accordance with Section 151 of the Local Government Act 1972) and the Director of Democratic and Legal Services. In May 2020 the CMG was expanded to include a Director of Neighbourhood Services and Director of Community Services. Each has allocated responsibilities to ensure that there is a clear chain for decision-making and actions to implement those responsibilities. The Chief Executive is the Head of Paid Service under the terms of the Local Government & Housing Act 1989. The Director of Democratic and Legal Services is the designated Monitoring Officer and is responsible for ensuring that the Authority acts in accordance with the Constitution.

The Head of Internal Audit, provided through a framework contract with Mazars, has direct access to the Finance Director, to the Chief Executive, other CMG members and reports to Members through the Standards and Audit Committee. These arrangements are in accordance with CIPFA guidance in their publications 'Role of the Chief Financial Officer' and 'Role of the Head of Internal Audit'.

## **6. Significant Governance Issues**

In formulating this year's Governance Statement a range of evidence has been reviewed including Statements from senior managers and Internal Audit reviews. To avoid duplication such findings are not noted in this statement other than where their implications could affect the overall effectiveness of the Authority's governance procedures and require action under the Governance Plan.

There has been a continued focus on addressing Internal Audit recommendations during the year. The position is considered by CMG and the Standards and Audit Committee quarterly where action progress can be monitored and resources redirected if necessary.

The following areas have been identified as areas for improvement in the Governance Plan and need further action in order to ensure governance arrangements remain robust for the future:

- (i) Peer Review  
Work on the areas of improvement identified by the November 2019 Peer Review.
- (ii) Council Constitution  
The Council's Constitution will be formally reviewed for the new Municipal Year 2021/22.

- (iii) Organisational Strategy  
Prepare a summary strategy document based on existing approved strategies to be approved as part of the Business Plan process for 2021/22.
- (iv) Action tracking  
Embed new processes for the management of Internal Audit recommendations and Committee decisions, developed during 2019/20, to improve the efficiency and effectiveness of the system.
- (v) CIPFA Financial Management Code  
Ensure that the Council's governance arrangements comply with the new Financial Management Code which has been published by The Chartered Institute of Public Finance Accountants (CIPFA).

## **7. Conclusion**

We are satisfied that the Authority has in place the necessary practices and procedures for a comprehensive governance framework, the governance arrangements provide assurance that intended outcomes will be achieved, and remain fit for purpose. The actions above will deliver further improvements and we will continue to monitor, evaluate and report on progress as part of our next annual review.

Leader of the Council  
Cllr D Bittleston  
Date

Chief Executive  
R N Morgan OBE  
Date